

DRAFT - FOR DISCUSSION PURPOSES ONLY

Coordinator of Energy – Regulatory Workshop

Note: *This is the draft discussion paper as provided to attendees in advance and discussed at the regulatory workshop on 25 October 2022. While no changes have been made to the content of the proposed arrangements, a summary of the workshop discussion has been included in boxes at the end of each relevant section. General consensus, where such has been reached, and any divergent views at the workshop are noted in in these summaries.*

Background

The Coordinator of Energy (Coordinator) is holding this regulatory workshop in accordance with clause A2.7.3 of the Pilbara Networks Rules (Rules) and in relation to Woodside Energy's (Woodside) rule change proposal (PRC_2022_01). The objective of the workshop is to seek the views of attendees on the proposed regulatory arrangements outlined below, as they relate to the amending rules proposed by Woodside.

Please note this document is for workshop discussion purposes only and does not represent the views of the Coordinator.

Summary of arrangements

The following outlines draft proposed regulatory arrangements to facilitate connection of Woodside's Pluto LNG Facility to the Horizon Power's network, on the basis of 'compliance at the connection point'.

For the purposes of this note, 'compliance at the connection point' means that the requirements of the Harmonised Technical Rules are met at the connection point, irrespective of whether or not any plant or equipment on Woodside's side of the connection complies with those technical rules.

In summary:

- The regulatory arrangements below will be implemented through amending Pilbara Networks Rules and the making of one or more protocols or other instruments by the Pilbara ISO.
- The regulatory arrangements respond to the following needs identified by the Pilbara Advisory Committee (PAC):
 - The application of "compliance criteria" for compliance at the connection point of the Pluto facility to the NWIS (Horizon Power's network);
 - The ability to ensure that any network risks and or contingencies that might arise can be adequately and properly managed.
- In responding to these needs, the regulatory proposed arrangements will address 3 main issues:
 1. Basis on which Pluto facility becomes connected and energised:

2. The process by which, and the requirements to be satisfied before, the Pluto facility is connected to the NWIS and energisation occurs (that is, that the connection can be energised without any risk to the NWIS and the Pluto facility is able to comply with the HTR at the connection point)Basis on which Pluto facility continues to remain connected and energised (ongoing compliance):
 - ‘compliance at the connection point’ requirement must continue to be satisfied on an ongoing basis;
 - There is an ability to adequately (by Pilbara ISO and or its delegates) to respond to a circumstance where the Pluto facility is no longer complying at the connection point;
3. The circumstances (triggers) in which a reassessment of the basis on which Pluto’s facility can continue to stay connected to the network. That is, a reassessment of ‘compliance at the connection point’ is required.

A high level outline of how rules might be developed to address each of these 3 issues follows.

Summary of workshop discussion

Some time was spent at the beginning of the workshop to establish the context and assumptions underpinning the approach to both the workshop and the proposed regulatory arrangements. Rio Tinto in particular asked whether they were to assume for the purposes of the workshop that Woodside is a registered network service provider, and that any technical issues associated with compliance at the connection point (including the development of a compliance criteria) have been resolved.

Attendees were directed to assume these conditions had been satisfied for the purposes of the workshop, in order to provide appropriate feedback on the proposed regulatory arrangements, which would only be applicable should the rule change be approved.

There was further discussion around the rule change proposal itself that was not necessarily related to the issues outlined in this paper.

1. Getting connected

The *Electricity Industry Act* and the *Electricity Industry (Pilbara Network) Regulations* (Regulations) made under it enable the Rules to be made to “authorise the Pilbara ISO to make instruments establishing protocols and procedures and any other instruments related to the performance of its functions” and to provide for the effect of those instruments and how they might later be amended: sections 120N(1)(f) and regulation 8(c).

It is not clear from the Rule Change Proposal whether or how the Pilbara ISO will be involved in the process by which the Pluto facility becomes connected to the NWIS and the connection energised. That is, whether the *new connections* process rule 268 “ISO’s access and connection function” will apply.

In any event, the connection is sought on the basis of unique 'compliance at the connection point' and new Rules must be made to ensure appropriate criteria are developed that speak to the detail of the matters that must be satisfied before connection is completed and energisation occurs.

Those rules will include a requirement for the Pilbara ISO to develop a protocol, procedure or other instrument addressing the detail of these matters that must be satisfied before connection and energisation occur. This instrument may also end up addressing process to be followed by Woodside (and others like Horizon as applicable). The Pilbara ISO (including a relevant delegate) would be the decision maker as to whether a criterion was satisfied.

The Rules may also address or give guidance to some of the content of the instrument that is to be developed by the Pilbara ISO and the process through which that procedure or protocol is developed (for example whether the transitional provisions in Sub-appendix A4.8 would apply).

Rules will enable the Pilbara ISO to recover its costs associated with performing these functions and developing the protocol.

Summary of workshop discussions

It was generally accepted that the PNR would need to provide for the development of a protocol or procedure, which contains a "compliance criteria" that would need to be satisfied before connection was allowed and energisation occurred.

Attendees were asked to provide a view on the extent to which the details of this criteria should be included in the PNR versus in the protocol/procedure.

Some of the key points raised were:

- There was no consensus on the extent to which substantive content should be devolved to the procedure/protocol or enshrined in the PNR;
- Trade-offs were noted between enshrining content in the PNR (higher level of certainty, less readily able to be changed) and including most of the detail in a procedure/protocol (flexible, more capable of change as the system continues to evolve);

There was general consensus that a hybrid approach should be adopted, which would involve key matters related to the compliance criteria and its establishment being included in the PNR, while allowing for the next level of detail to be included in the protocol/procedure.

Attendees who were present at the last meeting of the technical working group (TWG) on 24 October noted that the first page of the compliance criteria, that was provided to and discussed with the TWG, would be a useful place to start as the base for drafting the relevant PNR amending rules, while the Attachment to the compliance criteria would form the basis of the protocol/procedure.

2. Staying connected

Several things need to be in place to ensure ongoing compliance at the connection point:

- **Visibility:** An ability for someone (probably Horizon Power) to monitor what is happening at the connection point (and measure or assess whether the Pluto facility continues to comply at the connection point);
- **Reporting:** a requirement for any incidences of non-compliance, or expected non-compliance, identified by the NSP or Woodside to be reported to the Pilbara ISO;
- **Responding to network risks and contingencies:**
 - This area crosses over with the extent to which the Pilbara ISO's functions and powers, more generally in the Rules, enable it to respond to contingencies and how emergencies are to be curtailed (as proposed by Woodside in its RCP).
- **Addressing Non-compliance:** means by which appropriate measures can be taken to address instances of non-compliance:
 - identification of the relevant Woodside entity that is to be contacted (ie the entity having the relevant operational control) and which is accountable under the Rules to respond;
 - ability for Pilbara ISO to investigate instances of non-compliance at the connection point, including requirements for the provision of information to the Pilbara ISO by Woodside;
 - escalation of continued non-compliance and application of enforcement measures as appropriate including, disconnection or other enforcement actions prescribed under the Rules. Disconnection in this circumstance would result in the connection criteria and process described in 1 above needing to be again satisfied before the connection would again be energised;
 - currently the Regulations do not provide for the application of civil penalties in relation to a breach of provisions of the Rules, only for provisions of the Pilbara Networks Access Code. This item is included for brief discussion as there is the opportunity to revisit these arrangements as part of a package of amendments to the Regulations currently being progressed by EPWA.
- **Proactive compliance:** ongoing compliance would have a "proactive quality" such that if Woodside was anticipating changing: (i) its plant or equipment in a

material way (see below under 3) and/or the way in which it operates that plant or equipment, or (ii) the Woodside entity that is to be responsible under the

Rules for compliance, then Woodside must report this to the Pilbara ISO well in advance of a change occurring:

- This will allow an assessment to be made of whether a “re-opener” as described in 3 below is required.
- A failure to report would be a breach of the Rules – and the enforcement action described above would apply.

Summary of workshop views

Ongoing Compliance

There was general consensus from attendees (including Woodside) that the existing compliance and enforcement regime, including any compliance investigations commenced in accordance with the ISO’s compliance protocol, will be applicable to Woodside in the same way they are applicable to any other facility.

The key difference is that any ISO directions that may arise as a result of an investigation, would be limited to the three types of ISO directions provided for under clause 172(4) of Woodside’s proposed rule change.

The discussion referenced an example of a hypothetical problem – with unacceptable level of harmonics being detected at the connection point. In such a circumstance Woodside would need to comply with any investigation and take any steps identified to address the issue, etc.

It was noted that if the rule change proposal, as it is currently drafted, does not make it clear that Woodside would be subject to compliance and enforcement arrangements under the PNR in the manner described above, then further amendments to the rule change would be required.

The consensus on this item, if implemented adequately, would avoid the need for many of the compliance measures identified in the paper presented to the workshop (see above), as they would be covered by existing provisions of the PNR.

Network contingency risk

Attendees that were present at the meeting of the TWG on 24 October 2022 noted that the ISO’s list of network contingencies, as presented and discussed at that meeting, could be addressed without further amendments to the proposed rule changes. It was therefore agreed that no additional regulatory arrangements were required to address this matter.

Enforcement

Please note that the enforcement actions identified above (including the civil penalty regime) were not discussed at the workshop.

3. Reassessment

Rules would be developed to address circumstances in which the “compliance at the connection point” basis on which the Pluto facility is connected must be re-examined and or reassessed. Possible openers (triggers) include:

- A material modification (including additions/removals/retirements) to the plant at the Pluto facility. *[We can look at the generator performance standards treatment of material change for guidance on this issue]*
- A material change in the way in which plant at the Pluto facility is operated (that is, the plant is not modified but the way in which it is to be operated changes – ie in a way that may have implications for the broader NWIS or ongoing compliance at the connection point).
- There is a change in the identity of the controller of the Pluto facility (the Woodside entity that is responsible for ensuring ongoing compliance with the requirements of the Rules and that must have the operational capacity to respond to any issues that arise).

Summary of workshop views

There was general consensus that the current provisions under the PNR that apply to any other facility will be applicable to the Pluto facility – e.g. the requirements under the PNR for any proposed modifications to a network or the facilities connected to it.

It was also accepted that any major planned modifications to the facilities behind the connection point would need to undergo the same assessment as the assessment which was undertaken prior to the initial interconnection. However, as with the original connection, such an assessment will be to ensure ongoing compliance at the connection point. If this is not clear under the current drafting of the rule change, than necessary amendments would be required to the proposed amending rules.