



Pilbara Networks Rules Rule Change Proposal Submission

PRC_2022_01

Integrated LNG Systems - Draft Rule Change Report Submission

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Woodside's response to the draft Report

Woodside appreciates the opportunity to provide feedback on the Draft Rule Change Report – Integrated LNG Systems (**Report**) of 7 December 2022, which seeks to facilitate the connection of the Pluto Facility to the Pilbara North West Interconnected System (**NWIS**). Woodside supports the Coordinator's draft decision in the Report to accept Woodside's original Rule Change Proposal PRC_2022_01 as modified by amendments that the Coordinator has made to some aspects of Woodside's original Rule Change Proposal. In particular, Woodside supports:

- the introduction of a new 'integrated facility' category under subchapter 1.5A. Although this approach is different to the proposal to introduce a new 'integrated LNG networks' category in Woodside's original Rule Change, it is equally warranted to address the key operational, regulatory and other features of the Pluto Facility (and potentially other LNG facilities in the Pilbara) set out in Woodside's original Rule Change Proposal (particularly in paragraphs 14 – 20 inclusive) to enable the Pluto Facility (and potentially other LNG facilities in the Pilbara in the future) to connect to the NWIS;
- compliance with the Harmonised Technical Rules (**HTR**) being assessed at the connection point between the Pluto Facility (or any other integrated facility that seeks to connect to the NWIS in the future) and the NWIS, rather than at the facility level;

- the controller of the Pluto Facility (**Pluto Controller**) not being classified as a Network Service Provider (**NSP**);
- setting out some necessary limitations on the directions that the Independent System Operator (**ISO**) and the relevant NSP (in this case, Horizon Power) may give to the Pluto Facility;
- the Pluto Controller retaining operational control of the Pluto Facility;
- the Pluto Facility not being required to provide Essential System Services in the NWIS; and
- including a clear assessment and connection process for the expansion of generation facilities and associated equipment at the Pluto Facility (and other integrated facilities).

Woodside supports the new process for connection point compliance which it believes will promote future investment in the Pilbara region and has the potential to facilitate the connection of other LNG facilities and other facility types that may wish to connect to the NWIS in the future. Providing for connection of the Pluto Facility to the NWIS, the Rule Change will also facilitate decarbonisation of some energy transmitted on the NWIS via the connection of the proposed solar PV farm at Maitland, and the increased generation and use of renewable energy in the Pilbara.

Woodside also wishes to elaborate on several aspects of the recommendations contained in the Report which it considers will assist to clarify the Rule Change both for the Pluto Facility and any other integrated facilities that seek to connect to the NWIS in the future, and facilitate efficient connection of those facilities. Woodside considers changes should be made to the proposed amending rules in the Report in order to:

- ensure long-term certainty for the Pluto Facility's characterisation (and that of any other integrated facilities that seek to connect to the NWIS in the future) as an 'excluded network';
- refine the scope of the definition of 'integrated facility' to ensure the test of contiguity does not exclude equipment such as the battery and connection point equipment to be installed at the Burrup substation, approximately 1 km from the Pluto Facility site (which will be used solely in connection with the operation of the Pluto Facility);
- recognise the practical reality that any 'CPC measures' for the Pluto Facility requiring the installation of equipment will more than likely be implemented by Horizon Power in the Burrup substation and/or other locations on the NWIS, and will not include the installation of equipment within the Pluto Facility;
- clarify the division of roles and responsibilities between the connection applicant, the controller of the 'integrated facility' (who may not always be the same person as the connection applicant) and the relevant registered NSP;
- recognise, within the new Subchapter 9.3, that Woodside:
 - has already submitted a connection application for the Pluto Facility and proposed solar PV farm at Maitland,
 - has already progressed (together with Horizon Power, the ISO and (through a Regulatory Workshop) the Coordinator of Energy) technical work and consultation, and
 - should not have to recommence the connection point compliance process from step one once the Rule Change comes into effect. Woodside notes that it will continue to act in compliance with the proposed Rule Change process in progressing towards an access offer; and
- clarify the relationship between the separate procedures to be established under Subchapter 9.2 and Subchapter 9.3 of the Pilbara Network Rules (**PNR**).

These comments are explained in further detail below, and Woodside has outlined proposed drafting changes to some of the Coordinator's proposed amending rules set out in Section 7 of the Report to address them (refer to the Annexure to this response).

1. Excluded network categorisation may not provide long-term certainty

Under new rule 25C, an 'integrated facility' will be classified as an excluded network under the PNR. Under existing rule 25(2) (read together with rule 24(4)(c)), the ISO will have the power to remove excluded network status if it determines through investigation that the way in which the integrated facility is being operated could credibly be expected to jeopardise system security or reliability, or the promotion of the Pilbara electricity objective in the NWIS.

Woodside is concerned that, even after going through the new bespoke process to assess 'connection point compliance' (**CPC**) (including the additional CPC process that may apply to any 'relevant modifications'), and after procuring the implementation of all agreed upon 'CPC measures', there remains a separate power (unconstrained by that process) for the ISO to determine the Pluto Facility may credibly impact the Pilbara electricity objective and remove its excluded network status. This power could undermine investment confidence for integrated facilities in the connection and application process.

Connection of an integrated facility requires the involvement of both the ISO and the NSP through the application and connection processes. Woodside's view is that the ISO should therefore be required, when making a determination under rule 25(2) that the criterion in rule 24(4)(c) is not satisfied, to have regard to any agreed CPC measures and whether those CPC measures are continuing to be met. Woodside proposes to achieve this by amending rule 274G so that the ISO 'must' (rather than 'may') consider CPC measures when performing its function under rule 25(2).

2. Locational issues with 'contiguous site' requirement

New rule 25A(2) explains that the 'single site' referred to in the definition of 'integrated facility' in new rule 25A(1) must be 'a single contiguous site' and that land tenure consisting of two or more sites joined only by infrastructure corridors do not form part of a single contiguous site. Similarly, the definition of 'Pluto site' specifically sets out four contiguous lots of land on which the Pluto Facility is located.

Part of the Pluto Proposal (as referred to in Woodside's Rule Change Proposal) is that existing infrastructure at the Pluto Facility will be supplemented by a battery energy storage system (**BESS**) to be built at the new Burrup substation. The Burrup substation is connected to the Pluto Facility through an infrastructure corridor (approximately 1 km of transmission line) connecting the two sites. Although situated in the substation, the BESS will not connect directly to the NWIS (it will only connect to the NWIS indirectly through its connection to the Pluto Facility). The lack of contiguity between the Pluto Facility and the Burrup substation has the effect that, on the proposed drafting, the BESS will not form part of the 'Pluto facility' (as defined in the proposed amending rules). Woodside respectfully suggests that rule 25A(2) should be adjusted so that storage facilities and other equipment used solely in connection with the operation of an integrated facility fall within the definition, even if that equipment is located on land that is not strictly contiguous.

3. Where CPC measures will be implemented

Another issue arising from the contiguity test (and the proposed definitions of 'Pluto site' / 'Pluto facility') is that the connection point for the Pluto Facility (also located in the Burrup substation) will not form part of the 'Pluto facility' (as defined in the proposed rules). This issue may also affect other integrated facilities that seek to connect to the NWIS in the future under new rule

274D(2), which provides that CPC measures may include 'requirements for the installation, configuration and operation of equipment **on the integrated facility's site**'. This drafting appears to assume that the connection point for the integrated facility will be on the 'site'.

Woodside also respectfully requests that the CPC measures for the Pluto Facility should not be capable of including requirements to install equipment 'behind' the connection point (consistent with Woodside's primary concern around operational control at Pluto).

4. **Role of connection applicant, controller and registered NSP.**

Under the contracting structure proposed by Woodside:

- (a) **Woodside Power Pty Ltd** will be the party to the network access contract with Horizon Power and the 'connection applicant'; and
- (b) **Woodside Burrup Pty Ltd** will remain the Pluto Controller.

In other words, the 'connection applicant' and the controller of the 'integrated facility' will be different entities.

We note that the existing rule 19 of the PNR addresses this issue where there are multiple controllers of the same facility, or multiple network users under a network access contract, but does not specifically address the scenario where an obligation may be performed by either a controller or a network user (or 'connection applicant'). As such, Woodside suggests the drafting of the PNR should be adjusted to reflect that either the connection applicant or the relevant controller may perform certain functions.

Additionally, certain provisions (in particular, the new rules 274C and 274F) appear to under-emphasise the role the registered NSP will play in the connection and application process and the identification, implementation and maintenance of CPC measures. The draft amendments currently contemplate that the connection applicant will propose measures to address CPC. Of course, normally (and in Woodside's specific case) those technical measures are more than likely to be proposed by the registered NSP who has the knowledge, understanding and models to identify and recommend the optimal CPC measures.

As such, the CPC measures identified and agreed would then be implemented, installed, owned and maintained by the registered NSP. Indeed, it is likely for CPC in relation to Woodside's connection project that equipment will be installed (for example) within the Burrup (or Dampier) substation or elsewhere on the NWIS beyond the Pluto 'fence'.

Woodside proposes that responsibility for implementing and maintaining CPC measures should ultimately lie with the party having control of the relevant equipment (consistent with the general principles set out in rule 1.8.1 of the Harmonised Technical Rules).

Woodside also proposes specifying that the parties must endeavour to agree the suite of CPC measures under proposed rule 274C(1)(b)(ii) within a specified period or at least within 'a reasonable time'.

5. **Timing**

The Report anticipates that the Rule Change will come into effect on 31 March 2023. The proposed rules contemplate that any connection applicant (including Woodside) will need to follow the CPC process from the first step (an application for connection point compliance). Woodside considers the PNR should expressly recognise the significant technical work and consultation that has been undertaken to date (and that will continue to take place up to 31 March 2023) between Woodside, Horizon Power and the ISO. Woodside notes that a set of

CPC measures are being discussed as part of the connection and application process.

Woodside proposes the addition of a new rule 274C(6) to recognise that certain steps have already been satisfied in respect of the Pluto Facility (noting that the final form of this new rule will depend on the progress that has been made up to 31 March 2023).

6. Interaction of rule 274 and rule 274K

Woodside notes that the drafting appears to contemplate two procedures dealing with the CPC matters in Subchapter 9.3:

- (a) existing rule 274 has been amended to state that the 'access and connection procedure' contemplated in the PNR will now extend to the ISO's functions under Subchapter 9.3 (in addition to Subchapter 9.2); and
- (b) new rule 274K further provides for a new 'CPC procedure' for the purposes of Subchapter 9.3.

Given the apparent overlap between these two procedures, Woodside considers that new rule 274K may be unnecessary, and its content could instead be covered in the rule 274 procedure. The relationship between these two procedures should be clarified in the Final Rule Change Report.

Please see Woodside's proposed drafting changes below to address these points.

Annexure

Existing rule / Proposed rule	Proposed drafting change to some of the Coordinator’s proposed amending rules set out in Section 7 of the Report
8(1) – Definition of ‘integrated facility network’	is defined in rule 25A(1)(d).
8(1) - Definition of ‘Pluto facility’	means the <i>integrated facility</i> located on the <i>Pluto site</i> , and includes any <i>storage works</i> and other <i>equipment</i> located at or within the Burrup substation which is used solely in connection with operations at the <i>Pluto site</i> and any <i>electricity infrastructure</i> used, or to be used, solely in connection with the transportation of electricity to or from such <i>storage works</i> and other <i>equipment</i> .
8(1) - Definition of ‘Pluto site’	<p>means the roughly 205.321 hectare site on the Burrup Peninsula comprising:</p> <ul style="list-style-type: none"> (a) Lot 384 on Deposited Plan 220146, being Certificate of Title Volume 2671 Folio 981; and (b) Lot 572 on Deposited Plan 28209, being Certificate of Title Volume 2671 Folio 979; and (c) Lot 573 on Deposited Plan 28209, being Certificate of Title Volume 2676 Folio 184; (d) Lot 566 on Deposited Plan 28209, being Certificate of Title Volume 3125 Folio 317; and (d) Lot 574 on Deposited Plan 28209, being Certificate of Title Volume 2671 Folio 980. <p>[Woodside Drafting Note: Woodside’s Easement over Lot 566 has been added as that Lot in addition to Woodside’s Lease over Lot 573 comprises a Haul Road used: (i) in connection with the Pluto trucked LNG business; and (ii) for heavy vehicles to access portions of the Pluto site. We have assumed that the ‘Pluto site’ does not need to list a separate ~16.68 ha Seabed Lease with the Pilbara Port Authority adjacent to Lots 384 and 574 in which a loading jetty and associated swing basin and berthing pocket is located.]</p>
25A(2)	<p>(2) In rule 25A(1) –</p> <ul style="list-style-type: none"> (a) the site must be a single contiguous site, whether comprised of a single parcel of land or multiple adjacent parcels of land; and (b) land tenure which consists of two or more sites joined only by infrastructure corridors (including for gas, electricity, road or rail) and not otherwise contiguous with each other, do not comprise a single contiguous site;

Existing rule / Proposed rule	Proposed drafting change to some of the Coordinator's proposed amending rules set out in Section 7 of the Report
	<p>(c) despite rules 25A(2)(a) and (b), <i>storage works</i> and other <i>equipment</i> that is electrically connected with, and used solely in connection with the operation of, an <i>integrated facility</i> is taken to be part of that <i>integrated facility</i> even if it is not part of a single contiguous site with the <i>integrated facility</i>. To avoid doubt, this includes any <i>equipment</i> at the <i>connection point</i> for the <i>integrated facility</i>; and</p> <p style="padding-left: 40px;">{For example, the <i>storage works</i> and connection <i>equipment</i> located within the Burrup substation forms part of the <i>Pluto facility</i> even though the Burrup substation is not strictly contiguous with the land tenure on which the <i>Pluto consumer facilities</i> and <i>generation facilities</i> are located.}</p> <p>(d) a <i>generation facility</i> does not qualify as an <i>integrated facility</i> merely because the supporting <i>equipment</i> and resources associated with its <i>generating units</i> may draw electricity from the network if all generating units are off, or in other abnormal operating conditions.</p>
188(2)	<p>(2) {Incident coordinator's power under a protocol} Subject to rule 188(5), the <i>incident coordinator</i> may at any time when permitted by rule 186 or while a <i>protocol</i> is <i>active</i> if permitted by the <i>protocol</i>, issue a <i>direction</i> in accordance with rule 188(3) to —</p> <p style="padding-left: 40px;">(i) a registered NSP other than the NSP of an integrated mining network; and</p> <p style="padding-left: 40px;">(ii) the <i>controller</i> of any <i>facility</i> (other than the <i>Pluto facility</i>) connected to a <i>covered network</i>; and</p> <p style="padding-left: 40px;">(iii) an <i>ESS provider</i>; and</p> <p style="padding-left: 40px;">(iv) a <i>network user</i> of a <i>covered network</i>; and</p> <p style="padding-left: 40px;">(v) if necessary, to the <i>registered NSP</i> of an <i>integrated mining network</i>, or to the <i>controller</i> of a <i>facility</i> connected to an <i>integrated mining network</i>, but only to the extent and for the purposes set out in rule 5; and</p> <p style="padding-left: 80px;">{Rule 5 sets out the extent to which these rules may affect the operation of an <i>integrated mining system</i>.}</p> <p style="padding-left: 40px;">(vi) subject to rules 188A(2)(a) and 188A(3) — to a <i>Pluto recipient</i>.</p>
188A(3)	<p>(3) A <i>Pluto recipient</i> is not obliged to comply with a <i>system operations direction</i> or notice under rule 191 issued to it in connection with a <i>Pluto connection point</i> or the <i>Pluto facility</i>, to the extent it is not a <i>Pluto permitted direction</i>.</p>

Existing rule / Proposed rule	Proposed drafting change to some of the Coordinator’s proposed amending rules set out in Section 7 of the Report
	<p>[Woodside Drafting Note: Change is for clarity only – we understand this is the intention of the drafting.]</p>
274A	<p>In these rules “connection point compliance” means an arrangement in which —</p> <ul style="list-style-type: none"> (a) an <i>integrated facility</i> includes one or more components (“non-compliant components”) which do not fully comply with these <i>rules</i> (including the <i>harmonised technical rules</i>) and have not been granted an exemption; but (b) the <i>controller</i> of the <i>facility</i> or the <i>connection applicant</i> (as applicable), with the <i>ISO</i>’s and the <i>registered NSP</i>’s <i>agreement</i>, implements or procures measures (“CPC measures”) to ensure that the <i>facility</i> as a whole complies with the <i>rules</i> at its <i>connection point</i>, despite any non-compliance by that component or those components.
274C(1)(a)	<ul style="list-style-type: none"> (1) If a <i>connection applicant</i> applies for <i>connection point compliance</i>, then — <ul style="list-style-type: none"> (a) each component of the <i>integrated facility</i> is to be assessed for compliance with these rules (including the <i>harmonised technical rules</i>) under Subchapter 9.2 in a manner agreed between the <i>registered NSP</i>, the <i>ISO</i> and the <i>controller</i> of the <i>integrated facility</i> having regard to the nature of the <i>integrated facility</i>; and <p>[Woodside Drafting Note: In the context of an operational LNG facility which is also a Major Hazard Facility, a technical assessment 'in the usual way' could give rise to process safety risks. We propose a fulsome assessment in a manner that is agreed between the relevant stakeholders having regard to the nature of the facility and the regulatory requirements that apply to it.]</p>
274C(1)(b)	<ul style="list-style-type: none"> (b) if a component does not comply with these <i>rules</i>, then in accordance with the <i>CPC procedure</i> — <ul style="list-style-type: none"> (i) the <i>connection applicant</i> or the <i>controller</i> of the <i>integrated facility</i> (or the <i>registered NSP</i> on behalf of either of them) may propose one or more measures under rule 274D to address the non-compliance; (ii) the <i>connection applicant</i> or the <i>controller</i> of the <i>integrated facility</i> (as applicable), the <i>registered NSP</i> and the <i>ISO</i> are to endeavour in accordance with the <i>CPC procedure</i> to agree upon a suite of measures as described in rule 274D for the <i>facility</i> which meet the standard specified in rule 274E (including which of them will be responsible for implementing and maintaining each such measure) within a reasonable

Existing rule / Proposed rule	Proposed drafting change to some of the Coordinator’s proposed amending rules set out in Section 7 of the Report
	<p>time, having regard to the nature of the connection application; and</p> <p>(iii) in agreeing who will be responsible for each <i>CPC measure</i> under rule 274C(1)(b)(ii), the parties mentioned in that rule will have regard to the general obligations in rule 1.8 of the <i>harmonised technical rules</i>.</p>
274C(2)	(2) A <i>registered NSP</i> and the <i>ISO</i> are not required to reach agreement with the <i>connection applicant</i> or the <i>controller</i> of the <i>integrated facility</i> (as applicable) on a suite of measures under rule 274C(1)(b)(ii).
274C(3)	<p>(3) If the <i>registered NSP</i> and the <i>ISO</i> in their discretion reach agreement with the <i>connection applicant</i> or the <i>controller</i> of the <i>integrated facility</i> (as applicable), on a suite of measures under 274C(1)(b)(ii), then:</p> <p>(a) the agreed measures are the “CPC measures” for the facility; and</p> <p>(b) the <i>registered NSP</i> and the <i>ISO</i> must record the <i>CPC measures</i> in writing.</p>
274C(4)	(4) The <i>ISO</i> may in accordance with the <i>CPC procedure</i> terminate the process in rule 274C(1)(b)(ii) if it forms the view that agreement is unlikely to be reached <i>within a reasonable time, having regard to the nature of the connection application</i> .
274C(6)	<p>(6) As at the date on which this Subchapter 9.3 becomes effective:</p> <p>(a) [the <i>registered NSP</i> and the <i>ISO</i> have reached agreement with the <i>connection applicant</i> for the <i>Pluto facility</i> on how technical compliance at the connection point will be assessed and any <i>CPC measures</i> for the <i>Pluto facility</i> and who is to be responsible for each of those <i>CPC measures</i>; and</p> <p>(b) the <i>ISO</i> and the <i>registered NSP</i> have recorded those <i>CPC measures</i> in writing,</p> <p>in satisfaction of rule 274C(3).]</p> <p>[Woodside Drafting Note: To be updated to reflect the actual status of CPC discussions as at the effective date of the Rule Change.]</p>
274D(2)(a)	<p>(2) Without limiting rule 274D(1) or Subchapter 9.2 but subject to rule 274D(3), the <i>CPC measures</i> may include:</p> <p>(a) ...</p>

Existing rule / Proposed rule	Proposed drafting change to some of the Coordinator's proposed amending rules set out in Section 7 of the Report
274D(3)	<p>(3) The <i>CPC measures</i> for the <i>Pluto facility</i> must not include requirements for the installation, configuration and operation of <i>equipment</i> within the <i>Pluto facility</i>, except at the <i>Pluto connection point</i>, unless expressly agreed by the <i>Pluto Controller</i>.</p>
274E(b)	<p>(b) the measures, together with other powers under these rules, are sufficient to preserve (as applicable) the <i>ISO's</i>, the <i>ISO control desk's</i>, an <i>incident controller's</i> and a <i>registered NSP's</i> ability to manage to a <i>GEIP standard</i> —</p> <p>(i) a <i>credible contingency</i>; or</p> <p>(ii) any other <i>credible</i> threat to the <i>NWIS's security</i> or <i>reliability</i> which results from energy or power flows or power quality at the <i>integrated facility's connection point</i>, or a disruption to any of these which is caused or contributed by something on the <i>integrated facility's</i> side (in electrical terms) of the <i>connection point</i></p> <p>[Woodside Drafting Note: The <i>CPC measures</i> should not be required to be sufficient to remedy any credible threat to the <i>NWIS</i> that originates anywhere within the <i>NWIS</i>. <i>CPC measures</i> should be designed to ensure an <i>integrated facility</i> can connect safely to the system; they should not be used to correct existing vulnerabilities within the <i>NWIS</i> caused by other facilities.]</p>
274F(1)	<p>274F Compliance with CPC measures</p> <p>(1) The <i>integrated facility</i>, its <i>controller</i>, the <i>connection applicant</i> and the <i>registered NSP</i> must comply with the <i>CPC measures</i> for the <i>facility</i>, at any time the <i>facility</i> is <i>connected</i> to the <i>NWIS</i>, in each case to the extent the implementation of the <i>CPC measures</i> was agreed to be the responsibility of that person under rule 274C(1)(b)(ii).</p>
274G(1)	<p>(1) A <i>registered NSP</i> must not energise a <i>new connection</i> for which agreed <i>CPC measures</i> are in place, unless it is satisfied to a <i>GEIP</i> standard that the <i>integrated facility's controller</i>, the <i>connection applicant</i> or the <i>registered NSP</i> (in each case to the extent agreed under rule 274C(1)(b)(ii)):</p> <p>(a) has complied with all aspects of the <i>CPC measures</i> required to be complied with before energisation; and</p> <p>(b) after energisation will continue to comply with all applicable requirements of the <i>CPC measures</i>.</p>
274G(2)	<p>(2) The <i>ISO</i> and the <i>registered NSP</i>:</p>

Existing rule / Proposed rule	Proposed drafting change to some of the Coordinator's proposed amending rules set out in Section 7 of the Report
	<ul style="list-style-type: none"> (a) must take the <i>CPC measures</i> into account when performing their <i>functions</i> under Subchapter 9.2; (b) must take the existence of, and ongoing compliance with, <i>CPC measures</i> into account when exercising the power in rule 25(2) in relation to an integrated facility; and (c) may take any <i>CPC measures</i> into account when performing any other function under the Act, the <i>PNAC</i> or these <i>rules</i> (including when preparing any procedure or protocol).
274J(2)	(2) The <i>controller</i> of an <i>integrated facility</i> which has been permitted to <i>connect</i> under this Subchapter 9.3 (or the <i>connection applicant</i> on the <i>controller's</i> behalf) must notify the <i>ISO</i> of any <i>potentially relevant modification</i> to its <i>facility</i> .