



## Meeting Agenda

<b>Meeting Title:</b>	Pilbara Advisory Committee ( <b>PAC</b> )
<b>Date:</b>	Thursday 30 March 2023
<b>Time:</b>	2:00 PM – 3:15 PM
<b>Location:</b>	Online, via TEAMS.

Item	Item	Responsibility	Type	Duration
1	Welcome and Agenda	Chair	Noting	2 min
2	Meeting Apologies/Attendance	Chair	Noting	2 min
3	Competition Law Statement	Chair	Noting	2 min
4	Minutes			
	(a) Minutes of Meeting 2022_11_09	Chair	Noting – Already approved	2 min
5	Action Items	Chair	Noting	2 min
	(a) PAC Advice to the Coordinator of Energy on PRC_2022_01	Chair	Noting	1 min
6	Rule Changes			
	(a) PRC_2023_01 – Overview of Rule Change Proposals	Chair	Noting	2 Min
	(b) PRC_2023_01 – Various Pilbara ISO Functions (Access and connection costs; ESS procurement; CPC measures)	ISO	Discussion Decision	45 min
7	General Business	Chair	Discussion	10 min
	Next meeting: 9:30 AM, 18 May 2023			

Please note, this meeting will be recorded.



## COMPETITION LAW OBLIGATIONS

Members of the Pilbara Advisory Committee (**Members**) note their obligations under the *Competition and Consumer Act 2010 (CCA)*.

If a Member has a concern regarding the competition law implications of any issue being discussed at any meeting, please bring the matter to the immediate attention of the Chairperson.

Part IV of the CCA (titled “Restrictive Trade Practices” contains several prohibitions (rules) targeting anti-competitive conduct. These include:

- (a) **cartel conduct.** Cartel conduct is an arrangement or understanding between competitors to fix prices; restrict the supply or acquisition of goods or services by parties to the arrangement; allocate customers or territories; and or rig bids, see s45AD and Division 1 of Part IV of the CCA more generally.
- (b) **concerted practices:** a concerted practice can be conceived of as involving cooperation between competitors which has the purpose, effect or likely effect of substantially lessening competition, in particular, sharing Competitively Sensitive Information with competitors such as future pricing intentions and this end:
  - a concerted practice, according to the ACCC, involves a lower threshold between parties than a contract arrangement or understanding; and accordingly,
  - a forum like the meetings of the MAC is capable being a place where such cooperation could occur.

See s45(1)(c), s45 of the CCA more generally, and [these](#) guidelines published by the ACCC.

- (c) **anti-competitive contracts, arrangements understandings:** Any contract, arrangement or understanding which has the purpose, effect or likely effect of substantially lessening competition, see section 45 of the CCA and Division 2 of Part IV of the CCA more generally.
- (d) **anti-competitive conduct (market power):** any conduct by a company with market power which has the purpose, effect or likely effect of substantially lessening competition, see s46 of the CCA.
- (e) **collective boycotts:** where a group of competitors agree not to acquire goods or services from, or not to supply goods or services to, a business with whom the group is negotiating, unless the business accepts the terms and conditions offered by the group, see Division 2 of Part IV of the CCA.

A contravention of the CCA could result in a significant fine (up to \$500,000 for individuals and more than \$10million for companies). Cartel conduct may also result in criminal sanctions, including gaol terms for individuals.

**Sensitive Information** means and includes:

- (a) commercially sensitive information belonging to a Member’s organisation or business (in this document such bodies are referred to as an **Industry Stakeholder**); and
- (b) information which, if disclosed, would breach an Industry Stakeholder’s obligations of confidence to third parties, be against laws or regulations (including competition laws), would waive legal

professional privilege, or cause unreasonable prejudice to the Coordinator of Energy or the State of Western Australia).

### **Guiding Principle – what not to discuss**

In any circumstance in which Industry Stakeholders are or are likely to be in competition with one another a Member must not discuss or exchange with any of the other Members information that is not otherwise in the public domain about commercially sensitive matters,<sup>1</sup> including without limitation the following:

- (a) the rates or prices (including any discounts or rebates) for the goods produced or the services produced by the Industry Stakeholders that are paid by or offered to third parties;
- (b) the confidential details regarding a customer or supplier of an Industry Stakeholder;
- (c) any strategies employed by an Industry Stakeholder to further any business that is or is likely to be in competition with a business of another Industry Stakeholder, (including, without limitation, any strategy related to an Industry Stakeholder's approach to bilateral contracting or bidding in the energy or ancillary/essential system services markets);
- (d) the prices paid or offered to be paid (including any aspects of a transaction) by an Industry Stakeholder to acquire goods or services from third parties; and
- (e) the confidential particulars of a third party supplier of goods or services to an Industry Stakeholder, including any circumstances in which an Industry Stakeholder has refused to or would refuse to acquire goods or services from a third party supplier or class of third party supplier.

### **Compliance Procedures for Meetings**

- If any of the matters listed above is raised for discussion, or information is sought to be exchanged in relation to the matter, the relevant Member must object to the matter being discussed. If, despite the objection, discussion of the relevant matter continues, then the relevant Member should advise the Chairperson and cease participation in the meeting/discussion and the relevant events must be recorded in the minutes for the meeting, including the time at which the relevant Member ceased to participate.



## Minutes

<b>Meeting Title:</b>	Pilbara Advisory Committee ( <b>PAC</b> )
<b>Date:</b>	9 November 2022
<b>Time:</b>	2:00pm – 3:25pm
<b>Location:</b>	Videoconference (Microsoft Teams)

<b>Attendees</b>	<b>Class</b>	<b>Comment</b>
Sally McMahon	Chair	
Jacinda Papps	Registered Network Service Provider ( <b>NSP</b> )	
David Stephens	Registered NSP	
Momcilo Andric	Registered NSP	
Chris Bossong	Excluded NSP	
Neil Midolo	Excluded NSP	
Geoff White	Small-Use Consumer	
James Campbell-Everden	Independent System Operator ( <b>ISO</b> )	
Noel Ryan	Observer appointed by the Minister	
Richard Cheng	Observer appointed by the Economic Regulation Authority ( <b>ERA</b> )	Proxy for Adrian Theseira

<b>Also in Attendance</b>	<b>From</b>	<b>Comment</b>
Dora Guzeleva	PAC Secretariat	Observer
Rex Vines	EPWA	Observer
Tonia Curby	PAC Secretariat	Observer
Virginia Miltrup	City of Karratha	Observer
Li-Lin Ang	Rio Tinto	Observer
Brad Leggo	Woodside	Observer for items 6(b) and 6(c)
Gemma Lynch	Woodside	Observer for items 6(b) and 6(c)
Reece Tonkin	Woodside	Observer for items 6(b) and 6(c)
Jonathon Holborn	Woodside	Observer for items 6(b) and 6(c)

Apologies	From	Comment
Adrian Theseira	ERA	
Anne Taylor	Excluded Network Service Provider	
Chris Adams	Contestable Customer	

Item	Subject	Action
<b>1</b>	<b>Welcome</b>	
	<p>The Chair opened the meeting at 2:00pm with an Acknowledgement of Country and welcomed the PAC members.</p> <p>The Chair noted her appointment as Commissioner on the Australian Energy Market Commission (<b>AEMC</b>) commencing from 10 October 2022. The Chair noted that, due to this appointment, there has been a review of potential conflicts of interest and as a result she:</p> <ul style="list-style-type: none"> <li>• will continue as the Independent Chair of the PAC, Market Advisory Committee and Gas Advisory Board.</li> <li>• will resign from the Electricity Review Board Panel of Experts;</li> <li>• has concluded her role as Special Advisor to the Coordinator of Energy (<b>Coordinator</b>);</li> <li>• has declared her share portfolio, noting some shares relate to the energy sector in the Pilbara;</li> <li>• will dispose of Fortescue Metals Group and Woodside shares; and</li> <li>• will keep the Mineral Resources shares as these do not materially interfere with her judgement as the Independent Chair, as discussed with the Coordinator.</li> </ul>	
<b>2</b>	<b>Meeting Apologies/Attendance</b>	
	The Chair noted the attendance and apologies as listed above.	
<b>3</b>	<b>Competition Law Statement</b>	
	The PAC noted the Competition Law Statement.	
<b>4</b>	<b>Minutes</b>	
	<p>The Chair noted that, as a result of her role as Commissioner at the AEMC, she declares that all views and advice resulting from these meetings are from the PAC only, not from the Independent Chair.</p> <p><b>(a) Minutes of Meeting 2022_08_03</b></p> <p>The PAC accepted the minutes of the 3 August 2022 PAC meeting as a true and accurate record of the meeting.</p> <p><b>(b) Minutes of Meeting 2022_09_28</b></p> <p>The PAC accepted the minutes of the 28 September 2022 PAC meeting as a true and accurate record of the meeting.</p>	

Item	Subject	Action
	<b>Action: The PAC Secretariat to publish the minutes of the 3 August 2022 and 28 September 2022 PAC meeting on the Coordinator’s Website as final.</b>	<b>PAC Secretariat</b>
<b>5</b>	<p><b>Action Items</b></p> <p>The closed action items were taken as read.</p> <p>Action item 1 is now complete. Action item 3 is outstanding.</p>	
<b>6</b>	<p><b>Rule Changes</b></p> <p><b>(a) PRC_2022_01 – Overview of Rule Change Proposals</b></p> <p>The paper was taken as read and there were no comments from the PAC on this item.</p>	
	<p><b>(b) PRC_2022_01 – Technical Working Group (Stage 2 Outcomes)</b></p> <p>The Chair invited Mr Campbell-Everden, as the Chair of the Technical Working Group (<b>TWG</b>) to summarise the views of the TWG and submissions of these matters.</p> <p>Mr Campbell-Everden presented a summary of the TWG meeting on 24 October 2022, as follows:</p> <ul style="list-style-type: none"> <li>• The TWG discussed compliance criteria at the point of interconnection and system operations during a contingency event. These two issues arose from risks identified in Stage 1 of the TWG.</li> <li>• In the ISO’s view: <ul style="list-style-type: none"> <li>○ the compliance criteria developed by Horizon Power provided some assurance to the TWG that there will be a technical assessment of the facility against the Harmonised Technical Rules (<b>HTR</b>);</li> <li>○ there is flexibility in how issues will be addressed, whether at the point of interconnection or elsewhere.</li> <li>○ the system is stronger with the interconnection and no examples were found where the interconnection could not be managed;</li> <li>○ the rule changes, as drafted, would work from a system operations perspective given the in-depth quantitative assessment done through the access connection process; and</li> <li>○ at a high level, the ISO thinks this is appropriate, noting no NSP representatives commented on this at the TWG.</li> </ul> </li> </ul> <p>Mr White sought assurance that security and reliability risks will not increase under the Woodside proposal.</p> <ul style="list-style-type: none"> <li>• Mr Campbell-Everden responded that, with the work Horizon Power has done around the compliance criteria, the connection can be managed appropriately through the access process.</li> </ul>	

Item	Subject	Action
	<ul style="list-style-type: none"> <li>Mr Campbell-Everden noted that the access and connection process applies for anyone that wants to connect and that the ISO has a role in assessing the impact of the connection on the system.</li> <li>Mr Campbell-Everden noted that everything the ISO does is to maintain and improve security and reliability. The question is how the compliance criteria gets incorporated in the regulatory framework in a way that allows the ISO to still undertake those functions.</li> <li>Mr Stephens noted that the compliance criteria is lifting the level of clarity around the proposed clause in relation to HTR compliance at the connection point and reinforced that Horizon Power will assess the whole facility.</li> <li>Mr Stephens also noted that the key difference in the proposed compliance criteria and the current process is the flexibility in how issues are managed. In Horizon Power's view, this compliance criteria provides the required level of clarity in relation to the HTR.</li> </ul>	
	<p>Mr White sought to clarify whether there has been an assessment as to whether Woodside could disconnect without impact on other users.</p>	
	<ul style="list-style-type: none"> <li>Mr Campbell-Everden responded that it could be managed but there will be impacts. This work will be done in the future around system operations.</li> <li>Mr Stephens noted that Horizon Power is aware of all the design work and project work that is happening around control systems and control to make sure these aspects work. Mr Stephens also noted that Woodside would have to comply with the HTR at the connection point and there is flexibility on how that is managed at the plant or connection point.</li> </ul>	
	<p>The Chair invited Woodside to talk to their submission on the TWG Stage 2 paper, specifying the reasons for their proposed changes and what they would like to see happen.</p>	
	<p>Mr Tonkin noted that the intent of the mark-up was to clarify Mr Campbell-Everden and Mr Stephens' positions regarding the compliance criteria at the point of interconnection.</p>	
	<ul style="list-style-type: none"> <li>Mr Tonkin wanted to draw particular attention to changes in: <ul style="list-style-type: none"> <li>paragraph 4, noting that issues can be solved within the facility or at the connection point, clarifying that there is flexibility in where compliance is achieved;</li> <li>paragraph 3, outlining how the assessment is to be completed and that the system studies shall be developed by the NSP responsible for the connection and certified by the ISO prior to energization. This is important to Woodside, is consistent with connection and energization rules 269 and 270, and makes it clear who is accountable for what; and</li> </ul> </li> </ul>	

Item	Subject	Action
	<ul style="list-style-type: none"> <li>○ paragraph 1, noting in relation to Mr White’s earlier question about network security and reliability, that the assessment of the network and system impacts is against the HTR, and Woodside’s view is that degradation in connection standards would not occur.</li> <li>● Mr Stephens and Mr Campbell-Everden indicated that they were supportive of Woodside’s changes to this document because they provide greater clarity.</li> </ul>	
	<p>The Chair asked the PAC to share their views regarding the approach to assessing connection and the associated risks, noting the PAC is yet to discuss the work done by the regulatory working group (<b>RWG</b>).</p>	
	<ul style="list-style-type: none"> <li>● Ms Miltrup noted that it looked like a thorough process and that she felt comfortable with the process.</li> <li>● Mr Andric noted that: <ul style="list-style-type: none"> <li>○ he was more comfortable with the approach;</li> <li>○ it is important that some compliance is done at the point of interconnection, but some compliance also needs to be at the facility itself; and</li> <li>○ the next questions is how these solutions with be regulated and the process to ensure compliance.</li> </ul> </li> <li>● Mr Andric added that the PAC needs to consider the impact of additional or future access seekers.</li> <li>● Mr Bossong noted he was comfortable with the additions.</li> <li>● Mr Midolo noted that he was comfortable with the changes, that the changes provide further clarity, and that he was happy with the full assessment of compliance.</li> <li>● Mr White noted he was happy with the progress and engagement.</li> <li>● Mr White asked whether monitoring of HTR compliance was real-time. <ul style="list-style-type: none"> <li>○ Mr Stephens confirmed that assessment of HTR compliance will included both real-time monitoring and post-incident investigation, and that a broad suite of tracking will be implemented.</li> </ul> </li> </ul>	
	<p>The Chair summarised that the PAC is comfortable:</p>	
	<ul style="list-style-type: none"> <li>● with the work and the process being done by the TWG;</li> <li>● with the approach to assessment at the connection point;</li> <li>● that the ISO can undertake the required functions;</li> <li>● that the risks and the approach can be managed from a technical perspective; and</li> <li>● as added by Ms Papps, this could be used for future connections and not just Woodside.</li> </ul>	



Item	Subject	Action
	<p data-bbox="300 253 1214 293"><b>(c) PRC_2022_01 – Coordinator of Energy Regulatory Workshop</b></p> <p data-bbox="300 300 1193 371">Ms Guzeleva provided an outline of the regulatory workshop held on 25 October 2022:</p> <ul data-bbox="300 383 1219 927" style="list-style-type: none"> <li data-bbox="300 383 1166 528">• This workshop stems from the PAC meeting on 28 September 2022 where the view was that additional amending rules are required for a compliance protocol that assesses ongoing compliance at the connection point.</li> <li data-bbox="300 539 1203 651">• The topics discussed were getting connected, staying connected (with ongoing compliance) and triggers for reassessment of compliance.</li> <li data-bbox="300 663 1219 775">• There was a general consensus for a compliance protocol for assessing compliance at the connection point and that this should be provided under the HTR.</li> <li data-bbox="300 786 1190 927">• There need to be heads of power for the compliance protocol to give it legal force, and to make sure that the NSP and ISO have powers to assess compliance. The PNR should also specify triggers for reassessment.</li> </ul> <p data-bbox="300 938 1198 1010">Mr Andric asked what would happen if Woodside could not achieve compliance at either the connection point or at the generation facility.</p> <ul data-bbox="300 1021 1222 2024" style="list-style-type: none"> <li data-bbox="300 1021 1222 1200">• Ms Guzeleva responded that the facility will be fully compliant with the HTRs at the connection point, although it will be up to Woodside to propose how to achieve compliance, and up to the ISO and NSP to assess the proposal. This compliance can be achieved by various measures at various points.</li> <li data-bbox="300 1211 1166 1323">• Mr Stephens responded that the ISO has the ability to grant a derogation, which it can apply to any participant who does not comply with the HTR but meets the intent of the rule.</li> <li data-bbox="300 1335 1214 1559">• The Chair clarified that there would be assessment of compliance using the usual compliance enforcement regime – the ISO would monitor and make an assessment, and if the facility was found to not comply, then the ISO would determine whether there is noncompliance or whether a derogation can be sought without impacting the system.</li> <li data-bbox="300 1570 1214 1749">• Mr Stephens noted that a full technical assessment will be undertaken and if there is an issue, it can be solved within the plant or at the connection point. The ISO would have discretion to grant a derogation where an issue cannot be fixed but the intent of the HTR is met.</li> <li data-bbox="300 1760 1206 1906">• Mr Tonkin noted that there are no changes to the NSP’s or ISO’s powers under this rule change proposal related to energisation. Energisation will not take place unless the NSP and ISO are satisfied.</li> <li data-bbox="300 1917 1222 2024">• Mr Tonkin also noted that Woodside’s obligations under Chapter 12 such as the ISO’s power of investigation, visibility requirements and post-incident reporting are the same as for other facilities.</li> </ul>	

Item	Subject	Action
	<p>Ms Papps asked whether the procedure change process would apply to the compliance procedure.</p> <ul style="list-style-type: none"> <li>• Ms Guzeleva responded that there was a general consensus in the RWG to use a hybrid approach of putting essential components in the rules and other aspects in a procedure. The essential components would be enshrined in the rules, such as page 1 of the compliance criteria, but the procedure would encompass aspects, such as that contained in the tables of the document, and that the procedure change process would apply to the procedure.</li> <li>• Mr Holborn supported Ms Guzeleva's view.</li> </ul> <p>Ms Miltrup noted that she had no concerns with the approval to connect and the requirements to disconnect.</p> <p>Ms Miltrup asked whether there were protocols addressing the timeframes for resolution in an emergency situation.</p> <ul style="list-style-type: none"> <li>• Mr Campbell-Everden responded that there is still work to be done between the ISO control desk and Woodside regarding who does what and when during an emergency situation, and that they see this as outside the rule change proposal. The ISO and Woodside need to find a way forward seeing how to accommodate Woodside's bespoke requests while maintaining system security and reliability.</li> <li>• Mr Tonkin responded that timeframes were important. In a grid in distress scenario, Woodside will comply at the point of interconnection and will look to restrict directions to maintain the reliability of their facility.</li> <li>• Mr Tonkin also reiterated that no changes are proposed to the ISO's investigation and rectification powers.</li> <li>• Mr Tonkin noted that rule 274 gives the ISO the power to develop its own procedures and protocols related to grid connection, and that Woodside would like to keep the rule changes to a minimum and to have the ISO's procedures govern compliance at the connection point.</li> </ul> <p>The Chair noted that another issue to be included in the advice to the Coordinator is the potential for this rule change to impact a broader number of organisations than just Woodside.</p> <p>Ms Papps noted that she was pleased with the direction the PAC is going on governance.</p> <p>Ms Papps noted that in the rule change, the ISO cannot direct Woodside to resolve outage scheduling conflicts. Ms Papps sought to clarify whether the market will get enough information around outages so that other facilities can plan around an outage and asked whether the Pluto facility would be disconnected at the connection point during a full outage.</p>	

Item	Subject	Action
	<ul style="list-style-type: none"> <li>Mr Tonkin responded that outages of Pluto will have no impact on the grid as the primary intent of Pluto is to be a power importer, but noted that the solar farm will still be connected. Woodside does not want to be subject to outage direction so to not impact business activity.</li> <li>Mr Tonkin noted that Woodside has a determination under the Australian Competition and Consumer Commission around publication of outages on its LNG facilities which is public domain information.</li> </ul>	
	<p>Ms Papps asked for clarification as to whether the solar farm would disconnect in the event that Pluto is on full outage.</p>	
	<ul style="list-style-type: none"> <li>Mr Tonkin responded that the solar farm is dispatched to meet customer requirements, noting that Pluto is the primary customer but not the only customer.</li> <li>Ms Lynch responded that these outages at Pluto are planned years in advance and should not impact the grid. Ms Lynch noted that forewarning and transparency will occur.</li> <li>Mr Tonkin noted that the solar farm is not subject to the rule change proposal and will be subject to normal scheduling requirements.</li> </ul>	
	<p>Mr Bossong considered the discussion to be good.</p>	
	<p>Mr Midolo noted he was happy with the outcomes of the RWG.</p>	
	<p>Mr Andric noted he was happy with the discussion.</p>	
	<p>Mr White did not wish to provide a comment.</p>	
	<p>Mr Campbell-Everden noted that Woodside will attend the fortnightly outage and coordination meetings.</p>	
	<p>Mr Tonkin noted that Woodside's view is that there should be minimal changes to the rules themselves, and focus this rule change on procedures and protocols.</p>	
	<p>Ms Papps suggested that, if the rules are to delegate powers to a procedure, then the rules should not commence in full until the procedure is complete, as this might be a risk. The implementation time frame for the rules should take into account the time needed to develop the procedures.</p>	
	<p>Ms Guzeleva noted that the PAC was in agreement with the general consensus reached at the TWG and that:</p>	
	<ul style="list-style-type: none"> <li>page 1 of the compliance criteria would be enshrined in the PNR, assuming that the Coordinator agrees;</li> <li>the facility would remain subject to the compliance and enforcement regime under the PNR, including investigations by the ISO;</li> <li>there needs to be a trigger in the PNR for reassessment of the connection, including major modification; and</li> <li>the hybrid approach should be taken for the compliance criteria.</li> </ul>	

Item	Subject	Action
	<p>Ms Guzeleva noted that there was limited time to take major comments on board due to the timing for publication of the draft rule change report.</p> <p>Ms Lynch sought to clarify whether it was an expectation that the timing of the procedures line up with the rule change timeline as the procedures are still to be defined.</p> <ul style="list-style-type: none"> <li>Ms Guzeleva noted that Energy Policy WA has not currently contemplated any changes to the timeline published in the extension notice.</li> <li>Ms Guzeleva noted that there needs to be a balance as to what is in the PNR and what is in the procedures to make sure concerns are addressed properly, such as technical detail being in procedures and key regulatory principles being in the rules, however all of this is subject to approval by the Coordinator.</li> </ul> <p>The Chair noted she will develop a written advice from the PAC to advise the Coordinator of the PAC's views.</p> <p>The Chair welcomed any feedback from the PAC on the way meetings are running, the value of meetings and any potential upcoming items or work programs.</p> <p><b>ACTION: The Chair is to develop written advice from the PAC to the Coordinator regarding the PAC's views on PRC_2022_01 and is to circulate the statement to the PAC for review and comment before sending it to the Coordinator.</b></p>	<p>The Chair</p>
7	<p><b>General Business</b></p> <p>The Chair noted that the next meeting will be held at 9:30am on 23 February 2023.</p> <p>The Chair closed the meeting.</p>	

**The meeting closed at 3:25pm.**

## Agenda Item 5: PAC Action Items

Pilbara Advisory Committee (PAC) Meeting 2023\_03\_30

Shaded	Shaded action items are actions that have been completed since the last PAC meeting. Updates from last PAC meeting provided for information in <b>RED</b> .			
Unshaded	Unshaded action items are still being progressed.			
Missing	Action items missing in sequence have been completed from previous meetings and subsequently removed from log.			
Item	Action	Responsibility	Meeting Arising	Status
1	Mr Stephens is to advise whether Horizon Power will need to make system changes with material costs to continue in its role to monitor the NWIS, given how Woodside has drafted the rule change proposal.	Mr Stephens	Meeting 2022_08_03	<b>Complete (ISO previously indicated it would assess the impact on the ISO control desk costs and the ISO's assessment is reflected on pg. 25 of the draft rule change report)</b>
2	The Chair is to develop written advice from the PAC to the Coordinator regarding the PAC's views on PRC_2022_01 and is to circulate the statement to the PAC for review and comment before sending it to the Coordinator	The Chair	Meeting 2022_11_09	<b>Complete (provided to Coordinator on 25 November 2022)</b>



Mr Jai Thomas  
Coordinator of Energy  
Via email to: [jai.thomas@dmirs.wa.gov.au](mailto:jai.thomas@dmirs.wa.gov.au)

Dear Jai,

**ADVICE TO THE COORDINATOR OF ENERGY ON THE PROPOSED RULE CHANGE  
PRC\_2022\_01 INTEGRATED LNG SYSTEMS**

On 19 July 2022, Woodside Energy submitted a proposed rule change (PRC\_2022\_01 Integrated LNG Systems). You consulted with the Pilbara Advisory Committee (**PAC**) and the PAC provided advice on 29 August 2022.

To assist in the assessment of the rule change, the PAC supported the establishment of a technical working group (**TWG**) to assist the PAC form an informed view regarding the technical and complex issues associated with the proposal for compliance at the connection point and the ability of the ISO to perform its role. The Group was established, was chaired by the ISO and met on three occasions.

There was consensus by the TWG participants that a draft compliance criterion would assist in assessing compliance at the connection point and any network contingency risks can be managed in the presence of the proposed rule change. Members of the TWG and Woodside have been provided with an opportunity to comment on the proposed compliance criteria.

The findings of the working group were presented to the PAC on 9 November 2022. Woodside Energy were invited to attend the meeting and participate in the discussion.

In my role as Independent Chair of the PAC, I am sharing with you the advice of the PAC that:

- There was general support for the approach, process, and outcomes from the TWG. This was seen to be a positive way to seek to resolve issues and concerns around Woodside's rule change proposal in relation to the Pluto Facility's compliance with the Harmonised Technical Rules (**HTRs**).
- There was a general level of comfort that the compliance criteria developed by Horizon Power, including the amendments provided by Woodside Energy, will assist with the assessment of compliance of the Pluto Facility with the HTRs at the connection point. In particular, the first page of this criteria articulates the manner in which Pluto Facility's compliance with the HTRs may be dealt with and that this should be incorporated in, and form the basis of the drafting of changes required to, the rules. This is consistent with the findings at the regulatory workshop held by EPWA on 25 October 2022.
- On the separate issue of the Pluto Facility being only subject to the specified directions of ISO, a general level of comfort has been achieved that the ISO will be able to undertake its functions effectively during network contingency events and the identified risks can be managed and mitigated.

- Consideration should be given to the extent that the proposed rule change can be more broadly applied to other connecting facilities, rather than being unique to Woodside Energy.
- There was also general support for the proposed additional changes to the regulatory arrangements discussed at the Regulatory Workshop including the general consensus reached on the issue of any modifications at the Pluto Facility.
- In relation to the issue of the extent to which the Pilbara Network Rules (**PNR**) or a procedure should provide for the compliance framework, it was suggested that there should be consideration as to the balance between what part of the framework is to be captured in the PNR and what is to be delegated to procedures. This is to ensure that there is appropriate governance around changes to the elements contained in the procedure when and if they occur.

I have attached a copy of the draft minutes of the meeting of 9 November 2022, circulated to members but yet to be approved, which provide a more fulsome record of the views expressed by the members of the PAC.

Yours sincerely



Sally McMahon

INDEPENDENT CHAIR<sup>1</sup>

**Pilbara Advisory Committee**

25 November 2022

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<sup>1</sup> Please note that the views presented in this advice are the views of the PAC and do not necessarily represent the views of the Independent Chair.

## Agenda Item 6(a): Overview of Rule Change Proposals (as of 23 Feb 2023)

Pilbara advisory committee (**PAC**) Meeting 2023\_03\_30

- Changes to the report since the previous PAC meeting are shown in **red font**.
- The next steps and the timing for the next steps are provided for rule change proposals that are currently being actively progressed by the Coordinator of Energy (**Coordinator**) or the Minister.

### Indicative Rule Change Activity Until the Next PAC Meeting

Reference	Title	Events	Indicative Timing
PRC_2023_01	Various Pilbara ISO Functions (Access and connection costs; ESS procurement; CPC measures)	<ul style="list-style-type: none"> <li>• First period submissions due</li> <li>• Publish the draft rule change report</li> <li>• Second period submissions due</li> </ul>	08/05/2023 06/06/2023 04/07/2023

### Rule Change Proposals Commenced

Reference	Submitted	Proponent	Title	Commenced
None				

### Rule Change Proposals Awaiting Commencement

Reference	Submitted	Proponent	Title	Commencement
PRC_2022_01	19/07/2022	Woodside	Integrated LNG Systems	31/03/2023



### Rule Change Proposals Rejected

Reference	Submitted	Proponent	Title	Rejected
None				

### Rule Change Proposals Awaiting Approval by the Minister

Reference	Submitted	Proponent	Title	Approval Due Date
None				

### Formally Submitted Rule Change Proposals

Reference	Submitted	Proponent	Title	Next Step	Date
PRC_2023_01	14/03/2023	ISO	Various Pilbara ISO Functions (Access and connection costs; ESS procurement; CPC measures)	First period submissions due	08/05/2023

### Pre-Rule Change Proposals

Reference	Proponent	Description	Next Step	Date
None				

### Rule Changes Made by the Minister and Awaiting Commencement

Gazette	Date	Title	Commencement
None			



## Agenda Item 6(b): PRC\_2023\_01 – Various Pilbara ISO Functions (Access and connection costs; ESS procurement; CPC measures)

Meeting 2023\_03\_30

### 1. Purpose

- The Pilbara ISO (ISO) to provide an overview of its “Various Pilbara ISO Functions” *rule change proposal* (PRC\_2023\_01).
- The Pilbara Advisory Committee (PAC) to consider the PRC\_2023\_01 proposals, and provide advice to the Coordinator of Energy (Coordinator) in accordance with clause A2.4.3(d) of the Pilbara Networks Rules (PNR).

### 2. Recommendation

The PAC is to:

- (1) consider the material outlined in the rule change notice (Attachment 1) and *rule change proposal* (Attachment 2).
- (2) discuss the changes proposed by the ISO in PRC\_2023\_01 and provide comments on:
  - (a) whether the PNR, as amended by the proposed amending rules, would better achieve the *Pilbara electricity objective* (please refer to the *Pilbara electricity objective* below);
  - (b) how the Coordinator should have regard to the matters listed in regulation 4 of the *Electricity Industry (Pilbara Networks) Regulations 2022* (Regulations) when considering the proposal (please refer to regulation 4 below);
  - (c) whether there are any specific concerns with the rule change proposal, including any practical or implementation concerns;
  - (d) any expected costs and benefits of the proposed changes; and
  - (e) any specific comments on the proposed *amending rules*.
- (3) come to an agreed PAC position on the above matters, to be captured in the minutes for the 30 March 2023 meeting (along with any dissenting views).

#### Pilbara Electricity Objective

- In accordance with section 119(2) of the *Electricity Industry Act 2004*, the *Pilbara electricity objective* is – to promote efficient investment in, and efficient operation and use of, services of the Pilbara networks for the long-term interest of consumers in the Pilbara region in relation to –
  - (a) price, quality, safety, reliability and security of supply of electricity; and
  - (b) the reliability safety and security of an interconnected Pilbara system.

- Regulation 4 of the Regulations requires the Coordinator to have regard to the following matters when determining whether the proposed *amending rules* are consistent with the *Pilbara electricity objective*:
  - (a) the contribution of the Pilbara resources industry to the State's economy;
  - (b) the nature and scale of investment in the Pilbara resources industry;
  - (c) the importance to the Pilbara resources industry of a secure and reliable electricity supply;
  - (d) the nature of electricity supply in the Pilbara region, including whether or not regulatory approaches used outside the Pilbara region are appropriate for the region, Pilbara network users and Pilbara networks; and
  - (e) any other matter that [the Coordinator] considers relevant.

### 3. Background

- The most substantive change in the ISO's proposal was discussed at the 3 August 2022 PAC meeting.
  - The ISO sought the PAC's views on which method should be used to recover the costs associated with the ISO's access and connection functions under subchapter 9.2 of the PNR.
  - The PAC agreed that costs should be allocated to the access seeker, provided they are able to be separately identified and are sufficiently material, and do not create a barrier to connection.
  - The PAC supported the ISO developing a *rule change proposal* to address the issue.
- Before formally submitting its proposal, the ISO sought guidance from Energy Policy WA on whether a pre-rule change proposal was required. It was agreed that a pre-rule change proposal was unnecessary in the circumstances, since the PAC had already discussed the most substantive change and the other two proposed changes are minor and of an administrative nature.

### 4. Process

- The ISO submitted PRC\_2023\_01 to the Coordinator on 14 March 2023 under the *standard rule change process*.
- The ISO's *rule change proposal* consists of three distinct changes which relate to the functions of the ISO under the PNR.
- The Coordinator decided to progress PRC\_2023\_01 using the *standard rule change process* and published the rule change notice together with the *rule change proposal* on the Coordinator's [website](#) on 23 March 2023.
  - The rule change notice (Attachment 1) provides a summary of each of the proposed changes in PRC\_2023\_01 and the ISO's assessment of whether these changes better achieve the *Pilbara electricity objective*.
  - The rule change proposal (Attachment 2) should be referred to for the ISO's detailed rationale for the proposed changes and the proposed *amending rules*, which are marked up against the PNR.

- Under clause A2.7.5 of the PNR, the Coordinator must consult with the PAC concerning the ISO's *rule change proposal*.
  - Once the minutes for the 30 March 2023 PAC meeting have been approved by members, the Coordinator will be provided with the minutes.
  - The Coordinator will consider the agreed position of the PAC, as it is captured in those minutes.
- The first submission period for PRC\_2023\_01 commenced on 23 March 2023 and will end on 8 May 2023.
- All PAC members are invited to provide written submissions to the Coordinator, in accordance with the process outlined in the rule change notice.
- The projected timeline for processing PRC\_2023\_01 is:



## 1. Attachments

- (1) Rule Change Notice: Various Pilbara ISO Functions (PRC\_2023\_01)
- (2) Rule Change Proposal PRC\_2023\_01 – Various Pilbara ISO Functions

## Rule Change Notice: Various Pilbara ISO Functions (PRC\_2023\_01)

This rule change notice is published under clause A2.5.7 of the Pilbara Network Rules (PNR).

**Submitter:** James Campbell-Everden, Pilbara ISOCO Limited (ISO)

**Date submitted:** 14 March 2023

### The Rule Change Proposal

The ISO has submitted a *rule change proposal* under the *standard rule change process*, which seeks three distinct changes to the PNR.

A high level outline of the proposed changes, which relate to various functions of the ISO, is provided below.

- Proposal A – ISO access and connection related costs: proposes amendments to the cost recovery provisions in relation to the ISO's access and connection functions under subchapter 9.2 of the PNR.
- Proposal B – Procedure relating to essential system services under Subchapter 8.1: proposes an amendment to rule 244 of the PNR to provide for the development of a permanent ISO Essential System Services Procedure.
- Proposal C - Reference error with regard to Pluto Connection Point Compliance (CPC) measures: proposes an amendment to correct a referencing error in rule A4.73(b) of the PNR. The proposed change is to the rules that were published in the *final rule change report* for PRC\_2022\_02 and which are scheduled to commence on 31 March 2023.

A copy of the *rule change proposal* is published with this notice, and describes the ISO's proposed changes in detail and the rationale behind these changes. A copy of the changes marked up against the PNR is provided in section 2 of the ISO's proposal.

### Pilbara electricity objective

In accordance with clause A2.5.7 of the PNR, this notice must include the ISO's explanation as to how the proposed changes will better address the *Pilbara electricity objective*.

The ISO's complete detailed assessment that the proposed changes will better address the *Pilbara electricity objective* is provided in section 3 of the *rule change proposal*, however a high level overview is outlined below.

#### Proposal A

The ISO considers that it is in the interests of all North West Interconnected System (NWIS) participants, and the improved reliability and security of the NWIS as a whole, that the ISO is able to perform its access and connection related functions with certainty in its ability to recover the costs of doing so.

The ISO considers that if these costs were not recovered on a user-pays basis, and were instead socialised through the ISO fees, the result would raise issues of equity and fairness that are difficult to justify.

### Proposal B

The ISO considers that Proposal B will give the ISO a clear ability to engage with stakeholders and experts and obtain advice from those with the technical knowledge and understanding of the unique characteristics of the NWIS and the Pilbara region more generally.

The ISO considers that Proposal B will also assist the ISO in developing processes that ensure transparency and accountability in the procurement, delivery and performance of essential system services.

The ISO notes that this will also enable stakeholders to better understand essential system services related processes and to provide feedback, which will contribute to ensuring that the ISO is meeting the needs of the NWIS and its users.

### Proposal C

Proposal C is fixing a cross referencing error and does not have any further impact on the *Pilbara electricity objective*.

## Background of the Proposal Development

The ISO tabled an issues paper at the 3 August 2022 meeting of the Pilbara Advisory Committee (PAC), inviting views on which method the ISO should use to recover its costs associated with its access and connection functions under subchapter 9.2 of the PNR.

Proposal A of the ISO's *rule change proposal* reflects the PAC agreed position, as outlined in the minutes of the 3 August 2022 meeting available on the Energy Policy WA [website](#).

The other two changes are administrative in nature, and the PAC will have the opportunity to consider these and provide feedback at the next PAC meeting on 30 March 2023.

## Decision to Progress the Rule Change Proposal

The Coordinator has decided to progress the *rule change proposal* as the proposal did not meet any of the grounds for not progressing a proposal under clause A2.5.6A of the PNR.

The Coordinator will progress the proposal using the *standard rule change process*, as this is the process requested by the ISO, and the criteria for the fast track or abridged processes have not been met.

## Timeline

This rule change proposal will be progressed under the *standard rule change process* described in clauses A2.7.1A to A2.7.8 of the PNR. The projected timeline for processing this proposal is:



## Call for Submissions

The Coordinator invites interested stakeholders to make submissions on this *rule change proposal*. The submission period is 30 Business Days from the Rule Change Notice publication date. Submissions must be delivered to the Coordinator by **5:00pm (AWST) on Monday, 8 May 2023**.

The Coordinator prefers to receive submissions by email to [energymarkets@energy.wa.gov.au](mailto:energymarkets@energy.wa.gov.au), using the submission form available at [Rule Change Process \(www.wa.gov.au\)](http://www.wa.gov.au).

Submissions may also be sent to the Coordinator by post, addressed to:

### **Coordinator of Energy**

Attn: Director, Wholesale Markets  
 Energy Policy WA  
 Locked Bag 11 Cloisters Square WA  
 PERTH BC WA 6850



## Pilbara Networks Rule Change Proposal Form

Rule change proposal ID: PRC\_2023\_01

Date received: 14 March 2023

### Change requested by:

<b>Name:</b>	Mr James Campbell-Everden Executive Officer Pilbara ISOCO Ltd
<b>Phone:</b>	0428 379 234
<b>Email:</b>	<a href="mailto:James.campbell-everden@pilbaraisoco.com.au">James.campbell-everden@pilbaraisoco.com.au</a>
<b>Organisation:</b>	Pilbara ISOCO Limited ACN 650 785 783
<b>Address:</b>	Level 11, 12-14 The Esplanade Perth
<b>Date submitted:</b>	14 March 2023
<b>Proposed urgency:</b>	Standard rule change process
<b>Rule change proposal title:</b>	<i>Various Pilbara ISO Functions (Access and connection costs; ESS procurement; CPC measures)</i>
<b>Pilbara Networks Rule(s) affected</b>	Subchapter 9.2, Rule 244 and A4.73(b)

### Introduction

Clause A2.5.1 of the Pilbara Networks Rules provides that any person may make a rule change proposal by completing a rule change proposal form and submitting it to the Coordinator of Energy (**Coordinator**).

This rule change proposal can be sent by:

Email to: [energymarkets@energy.wa.gov.au](mailto:energymarkets@energy.wa.gov.au)

Post to: Coordinator of Energy  
Attn: Director, Wholesale Markets  
C/o: Energy Policy WA  
Locked Bag 11, Cloisters Square  
PERTH WA 6850

The Coordinator will assess the proposal and will notify you within 5 business days of receiving this form whether the rule change proposal will be further progressed.

All of the fields below must be completed for the proposal to be progressed, and the proposal must:

- provide any proposed specific changes to particular Pilbara Networks Rules; and
- describe how the proposed rule change would allow the Pilbara Networks Rules to better



address the Pilbara electricity objective.

The Pilbara electricity objective, as defined in section 119(2) of the *Electricity Industry Act 2004*, is to promote efficient investment in, and efficient operation and use of, services of Pilbara networks for the long-term interests of consumers of electricity in the Pilbara region in relation to —:

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of any interconnected Pilbara system.

Regulation 4 of the *Electricity Industry (Pilbara Networks) Regulations 2021* sets out matters to which the Coordinator must have regard when applying this objective.

## Details of the proposed rule change

### Describe the concern with the existing Pilbara Networks Rules that is to be addressed by the proposed rule change:

1. In this document the respective proposals are referred to throughout as simply the **Proposal**.
2. The proposal consists of three distinct proposed changes to the Pilbara Networks Rules, which are assessed under each section of this document under the following headings:
  - Proposal A – ISO access and connection related costs
  - Proposal B – Procedure relating to essential system services under Subchapter 8.1
  - Proposal C – Reference error with regard to Pluto CPC measures

### Proposal A – ISO access and connection related costs

#### Summary: the issue and the proposed response

3. The issue to be addressed in this *rule change proposal*<sup>1</sup> concerns the Pilbara ISOCO Limited's (**ISO's**) costs of performing its access and connection related functions under Subchapter 9.2 of the *Pilbara Network Rules (PNR)*. In particular, who should pay those costs and how they ought to be recovered.
4. In summary, the *ISO's* proposal is that the costs of performing these functions should be paid by the *registered NSP* of the *network* to which the *new connection* relates on the basis of a 'user pays' type principle.
5. This will align the treatment of these costs under Subchapter 9.2 with that of the *ISO's* corresponding costs under new [Subchapter 9.3](#)<sup>2</sup>.

#### The functions

6. Subchapter 9.2 of the PNR confers a number of access and connection related functions on the *ISO*. The main functions are to:
  - a. supervise the standards applied by *network service providers* to *new connections*;
  - b. assist *access seekers* and *NSPs* with preparation and processing of *access applications* and negotiation of *network access contracts*;
  - c. provide modelling services for the preparation and processing of *access applications* and negotiation of *network access contracts*; and
  - d. be involved, where necessary, in the resolution of *connection application* related disputes.

<sup>1</sup> In this *rule change proposal* words and expressions that are defined in the PNR appear in *italics*.

<sup>2</sup> New Subchapter 9.3, commencing on 31 March 2023 implements an alternative path for connection of eligible equipment that is non-compliant with the Harmonised Technical Rules through the establishment of one or more CPC measures (compliance at the connection point).

(rules 268 and 270(6))

7. The general form and structure of the principal operative rules of Subchapter 9.2 (rules 268 to 272) establish that the *ISO's* functions are largely performed through interactions with, and the delivery of services to, the relevant *registered NSP* that manages and facilitates the *connection application* process on behalf of the *access seeker* customer. This reflects the importance and primacy of the relationship between the *ISO* and the *registered NSPs* more generally in the overall operation of the *NWIS* and the role those *NSPs* play in ensuring that *new connections* to their networks are established in accordance with the standards required by the PNR.
8. Consistent with these arrangements, the *ISO* considers that the relevant *registered NSP* is the entity who, in the first instance, should pay the *ISO's* Subchapter 9.2 costs, with that *NSP* in turn recovering those costs from its customer, the *access seeker*. Both Horizon Power and Alinta Energy have included content in their respective user access guides that specify that applicants are liable for the *ISO's* costs associated with establishing the applicant's *new connection*.

#### Access and connection procedure

9. In accordance with rule 274, the *ISO* is preparing an *access and connection procedure* dealing with its functions under Subchapter 9.2. Once finalised, this *procedure* will outline the process, roles and responsibilities of parties involved in *connection applications* made under Subchapter 9.2.
10. Consistent with the form and structure of the rules in Subchapter 9.2 referred to in paragraph 7 above, the *ISO* intends that the *access and connection application procedure* will reflect that it is predominantly the relevant *registered NSP* with whom the *ISO* will engage, and to whom the *ISO* delivers services, when performing its *new connections* related functions under Subchapter 9.2.
11. The *ISO* also intends this *procedure* to be the place where the *ISO* provides industry and prospective *connection applicants* with guidance on the functions the *ISO* will perform, their timing and estimating the *ISO's* costs of delivering the services involved to the *registered NSP*.
12. The *ISO* understands the importance to *connection applicants* of providing guidance on estimating the *ISO's* costs as it will ultimately be those applicants or access seekers who will be required to pay them by the relevant registered *NSP*.<sup>3</sup>

#### Current position in PNR

13. The PNR are silent as to how the *ISO* should recover these costs. This creates some uncertainty as how these costs are to be recovered and, for example, whether they are to be paid by those who benefit from the *ISO's* performance of these services or through the "*ISO Fee*" mechanism.<sup>4</sup>
14. The recovery of costs through the *ISO fee* mechanism would result in applicant-specific costs being payable by, and split between, the 3 *registered NSPs* Alinta Energy, Horizon Power and Rio Tinto.
15. The *ISO* does not consider this is an appropriate outcome. Rather, these costs ought to be recovered on a user pays type basis, such that the *registered NSP* (and ultimately the connection applicant or *access seeker*) should pay the costs associated with the *connection application* for several reasons, including that:
  - a. it is not appropriate for access costs to be socialised across the *NSPs* in all cases; and
  - b. a price signal ultimately sent to *access seekers* is appropriate and gives an incentive to the making of efficient investment; and
  - c. the costs will be incurred by those who receive the benefit of the services provided by the *ISO* in performing its functions under Subchapter 9.2.
16. See also paragraph 77 under the heading **Benefits** below.

<sup>3</sup> Both [Horizon Power](#) and [Alinta Energy](#) have included content in their respective user access guides specify that applicants are liable for the *ISO's* costs associated with establishing the applicant's new connection.

<sup>4</sup> See Subchapter 4.5 of the PNR.

17. The *ISO* will be able to separately identify its access and connection related costs and, as indicated above, would provide guidance for prospective applicants on what they can expect through the *access and connection procedure*.

### The Proposal and the CPC measures

18. Recently the *Coordinator* made amending rules<sup>5</sup> that will, when they commence,<sup>6</sup> introduce a new Subchapter 9.3 that will allow certain *connection applicants*<sup>7</sup> to seek an alternative pathway for connection of their facilities from that contained in Subchapter 9.2 by “complying at the connection point”.
19. The *ISO* has a range of connection related functions under Subchapter 9.3 that are similar in character to those in Subchapter 9.2. More specifically, the *ISO* has functions under new Subchapter 9.3 to:
- a. run a consultation process on an *access seeker’s* application to connect on the basis of compliance at the *connection point* (rule 274(9b));
  - b. endeavour to reach agreement on the *CPC measures* an applicant must put in place in order to comply at the connection point so that the relevant standards are met (rules 274C and 274E); and
  - c. reassess whether the applicant’s equipment can continue to remain connected on the basis of the agreed *CPC measures* if circumstances change (rule 274K).
20. It is uncontroversial that the *ISO’s* tasks under new Subchapter 9.3 will include modelling and supervision of any *CPC measures* proposed to ensure the required standards for connection are met.
21. Subchapter 9.3 includes new rule 274J(2) that deals directly with the issue of the *ISO’s* costs associated with performing its functions under Subchapters 9.2 and 9.3 where a *connection applicant* takes the new ‘compliance at the connection point’ pathway to connection:
- “(2) A *connection applicant* giving a notice under notice under rule 274B(1) must pay the *ISO’s* costs of performing its functions under Subchapter 9.2 and Subchapter 9.3 in connection with the notice, including if it withdraws the notice under rule 274B(5) and if the *ISO* makes a declaration under rule 274K(4).”
22. The position advanced in this Proposal is consistent with the treatment of the *ISO’s* costs for the purposes of new Subchapter 9.3.

### **Proposal B – Procedure relating to essential system services under Subchapter 8.1**

#### Summary: the issue and the proposed response

23. The issue to be addressed concerns the scope of the Pilbara ISOCO Limited’s (*ISO’s*) ability under rule 244 of the Pilbara Network Rules (PNR) to develop the EBAS Procedure referred to in that rule.
24. Currently, under rule 244 the *ISO* is to develop a procedure for energy balancing and for settlement of balancing and essential system service payments (“EBAS procedure”) setting out requirements relating to Subchapter 8.2 and Subchapter 8.3. There is no reference to Subchapter 8.1 in rule 244.
25. Transitional rules in appendix 4 specifically enable the *ISO* to create an interim procedure to manage essential system services. Transitional rule A4.57(e) states:

“A4.57 Rules A4.58 to A4.60 apply to the following *procedures* –

<sup>5</sup> See Pilbara Rule Change PRC\_2022\_01, copy available [here](#).

<sup>6</sup> The amending rules commence on 31 March 2023.

<sup>7</sup> Those having “eligible equipment” (as defined in new Subchapter 9.3).

...

- (e) an interim *procedure* to manage *essential system services*, energy balancing and settlement.”

26. From 1 July 2023, when the transition period ends, the PNR will not include an ability for the ISO to develop a procedure relating to Subchapter 8.1 or essential system services and the ISO will therefore lose the ability to manage essential system services through a procedure, including the benefit of the consultation arrangements established through the interim procedure.
27. In summary, the ISO’s proposal is that:
  - a. the scope of the ISO’s ability to make a procedure under rule 244 should extend to Subchapter 8.1, being matters relating to the specification, procurement and enablement of essential system services; and
  - b. without limiting the scope of the ISO’s ability to make a procedure in relation to Subchapter 8.1, the PNR should identify certain matters that the EBAS Procedure may address in relation to Subchapter 8.1.
28. This will ensure the ISO’s ability to manage essential system services through the interim procedure developed in accordance with clause A4.57(h) of PNR will not be altogether lost after the transition period comes to an end on 1 July 2023.

#### Proposal and interim procedure

29. The ISO has developed an interim procedure to manage essential system services in accordance with transitional rule A4.57(h).
30. Significantly, the interim procedure has been used to establish a technical consultation group with whom the ISO is able to consult on a range of matters that determine the levels of essential system services to be procured and enabled. These matters include:
  - a. determination of the amounts of regulation raise reserve and regulation lower reserve [rule 202];
  - b. identification of credible islanding scenarios [rule 205(1)];
  - c. identification of the pool of potential secondary FCESS providers for each credible island (based solely on their geographical location) [rule 205(2)];
  - d. determination of the required headroom level [rule 212(1)(a)];
  - e. deciding how to apportion headroom obligations [rule 214(4)]; and
  - f. any other technical matter relating to the technical specification of essential system services.
31. The technical consultation group is comprised of technical experts having particular experience and knowledge of the NWIS and Pilbara region more generally, and includes representatives of registered NSPs and industry consultants.
32. The technical consultation group collectively represent, from a technical perspective, the best available expertise and understanding of:
  - a. the operation of the NWIS;
  - b. the risks to the secure and reliable operation of the NWIS;
  - c. how those risks ought be assessed; and
  - d. the responses needed to satisfactorily address them,
 including the identification and or determination of the matters described in sub-paragraphs 30.a to 30.f.
33. In short, the technical consultation group is an invaluable resource that is currently advising the ISO in the performance of its functions under Subchapter 8.1.

### Other matters for procedure

34. It is foreseeable that as the essential system services regime for the NWIS matures, it may become desirable to address other aspects of essential system services specification, procurement and enablement in a procedure including, for example the following:
- a. forecasting: forecasting of demand and generation capacity;
  - b. risk assessment: matters relating to the ISO's assessment of risk in connection with its functions under Subchapter 8.1 (the identification of risks and evaluating their likelihood and potential impact on the NWIS); and
  - c. procurement and procurement planning: the processes by which the ISO:
    - (i) identifies the necessary levels of *essential system services* that are required to mitigate the risks identified through the risk assessment process to the standard required by the PNR;
    - (ii) develops any procurement plans specifying the quantity, duration and delivery requirements for each *essential system service* that is needed; and
    - (iii) conducts the procurement of *essential system services* (details of any tendering or alternative procurement process the *ISO* proposes to use to obtain *essential system services* in accordance with rules 200(1) and (2)); and
    - (iv) will monitor and manage the delivery of the services and their performance to ensure the required standards for provision of *essential system services* are met including, for example, by monitoring availability and responsiveness.
35. For these reasons the ISO considers that the need for the ISO to be able to manage essential system services through a procedure is clear and compelling.

### **Proposal C – Reference error with regard to Pluto CPC measures**

36. The ISO also proposes to fix a reference error in a transitional provision under sub-appendix 4.13.

### **1. Explain the reason for the degree of urgency:**

37. The ISO submits that the rule change proposals should proceed in accordance with the standard rule change process.

### **Proposal A – ISO access and connection related costs**

#### ISO has commenced performing these functions

38. As contemplated by the transitional arrangements in sub-appendix 4.3<sup>8</sup> of the PNR, the *ISO* has already commenced performing some functions under Subchapter 9.2. In brief, the *ISO*:
- a. has the discretion to determine the extent to which it will perform its access and connection related functions throughout the transition period;
  - b. has advised *NSPs* that it can provide bespoke advice on connection applications, notwithstanding that the whole of system model is still being finalised (validated) and the draft interim *access and connection procedure* is subject to change;

<sup>8</sup> Sub-appendix 4.3 relates to the access and connection provisions of the PNR throughout the transition period, which ends on 1 July 2023.

- c. has been, and currently is, providing such advice in relation to a number of connection applications, including that relating to Woodside's Pluto LNG facility which will now almost certainly proceed under new Subchapter 9.3; and
  - d. the *ISO* has already incurred, and will continue to incur, levels of costs that are material relative to its budget in performing these tasks both during and beyond the transition period.<sup>9</sup>
39. It is reasonable to expect that further *connection applications* will be made in the near term, particularly once the transition period expires on 1 July 2023 when the *ISO* fully assumes all its responsibilities under Subchapter 9.2 and the *access and connection procedure* is finalised.
40. The need for this *rule change proposal* to progress in the near term is clear. The *ISO* considers it desirable that this rule change progress in a timely fashion, and preferably without extensions of time, to the extent practicable. The *ISO* notes in this respect that:
- a. the *Pilbara advisory committee* has already considered this issue, and was supportive of a rule change proposal being formulated on the basis of a 'user pays' principle;<sup>10</sup> and
  - b. if adopted in the form proposed below, the extent of the required amendments appear minimal.

### **Proposal B – Procedure relating to essential system services under Subchapter 8.1**

41. The *ISO* submits that this *rule change proposal* should proceed in accordance with the *standard rule change process*.
42. The *ISO* has already taken steps to prepare for the commencement of Subchapter 8.1 on 1 July 2023, including:
- a. the preparation of an interim *procedure* relating to its functions under Subchapter 8.1;
  - b. seeking the advice of a technical consultation group established through the interim *procedure* on the various matters described in sub-paragraphs 30.a to 30.f above; and
  - c. planning for the initial procurement of *essential system services*, with the procurement process itself expected to commence within the next few weeks.
43. The Proposal will enhance the capability of the *ISO* to diligently and transparently specify, procure and enable *essential system services* in accordance with Subchapter 8.1. A *procedure* developed in accordance with the Proposal will have immediate and ongoing application and will be significant in the *ISO's* performance of one its core functions.
44. If the Proposal does not progress in a timely manner, the *ISO's* next procurement of *essential system services* will be made more difficult.
45. The *ISO's* obligations under the PNR (rules 202 and 203) are to determine and or procure the relevant amounts of *essential system services* needed "from time to time". Having regard to the dynamic character of Pilbara resource industry (both in terms of who the current and future participants are and what their current and projected future energy needs and usage are) the *ISO* does not consider its initial procurement of *essential system services* will be an arrangement suitable to remain in place for the longer term.
46. It is probable that further *essential system services* evaluation and procurement will be required in the near to medium term.
47. The need for this *rule change proposal* to progress in the near term is clear. The *ISO* considers it desirable that this *rule change proposal* in a timely fashion, and preferably without extensions of time, to the extent practicable.

<sup>9</sup> The transition period concludes on 1 July 2023, see rule 3(4) of the PNR.

<sup>10</sup> Minutes of Pilbara Advisory Committee meeting held on 3 August 2022, p10, copy available [here](#).

2. **Provide any proposed specific changes to particular Pilbara Networks Rules:** (for clarity, please use the current wording of the rules and place a ~~strike through~~ where words are deleted and underline words added)

### Proposal A – ISO access and connection related costs

48. For reasons of simplicity and consistency, the ISO suggests the formulation of the rule change along the lines of that established in new rule 274J(2) for the ISO's Subchapter 9.3 costs. Such a rule could be established through insertion of a new rule into Subchapter 9.2 as a new rule 274A as follows:

#### 274A ISO's access and connection costs

- (1) The registered NSP of the network to which the connection application relates must pay the ISO's costs of performing its functions under Subchapter 9.2.
- (2) Rule 274A(1) does not prevent that registered NSP from recovering those costs from the relevant access seeker or connection applicant.

### Proposal B – Procedure relating to essential system services under Subchapter 8.1

49. The ISO suggests an amendment to rule 244 "EBAS Procedure" to include reference to Subchapter 8.1 (essential system services) and the identification of certain matters with which the EBAS procedure may then deal in relation to Subchapter 8.1 as follows:

"244 EBAS Procedure

- (1) The ISO must develop a procedure for essential system services, energy balancing and for settlement of balancing and essential system service payments ("EBAS procedure") setting out requirements relating to Subchapter 8.1, Subchapter 8.2 and Subchapter 8.3."
- (2) Without limiting the matters that may be the subject of the EBAS procedure, the EBAS procedure may deal with any of the following matters in relation to Subchapter 8.1:
- (a) the establishment of a technical consultation group to advise the ISO in relation to the performance of the ISO's functions under Subchapter 8.1;
- (b) eligibility to participate in, and the convening of, the technical consultation group referred to in rule 244(2)(a);
- (c) any matters or things relevant to the ISO's determination of the levels of essential system services to be procured and enabled including:
- (i) forecasts of future demand for electricity and expected future generation capacity, whether or not over any time period identified in the NCP planning horizon referred to in rule 280(1); and

- (ii) identification and assessment of risks to the reliability and security of the *NWIS*;
- (d) the conduct of a tender or other process by the *ISO* to procure essential system services; and
- (e) the *ISO*'s monitoring and management of the delivery of, and the performance of, essential system services to ensure those services are available when needed and meet the required standards."

### Proposal C – Reference error with regard to Pluto CPC measures

50. Rule A4.73(b) should be amended to fix a reference error as follows:

A4.73. To the extent that the *ISO* considers that things done before the commencement of this rule A4.73 deal adequately with matters to be considered and steps to be taken under Subchapter 9.3 in connection with proposed CPC measures for the Pluto facility –

...

(b) the *ISO* may by published notice waive some or all of rules 274B(1), 274B(5) and 274B(3)(b) ~~274G(2)~~.

### 3. Describe how the proposed rule change would allow the Pilbara Networks Rules to better address the Pilbara electricity objective:

#### Proposal A – *ISO* access and connection related costs

51. Allocating costs on a user pays basis is generally considered to be an economically efficient cost allocation methodology. This is because it ensures that the costs of providing a service are borne by those who benefit from it, rather than being spread among all users or consumers.
52. This approach can provide incentives for users to make more efficient use of the service, as they are directly responsible for the costs they incur. By encouraging efficient use and investment, a user pays principle can help reduce costs, improve service quality, and increase economic efficiency.
53. The *ISO*'s development and use of the *access and connection procedure* will ensure that these costs allocated fairly, that pricing mechanisms are transparent, and that *connection applicants* will be able to both reasonably estimate and exercise a level of control over these costs.

*The contribution of the Pilbara resources industry to the state's economy and the nature and scale of investment in the Pilbara resources industry:*

54. The 'user pays' principle embodied in the Proposal is an appropriate cost allocation method for investment of the nature and scale that will likely be seen most frequently in the Pilbara resource industry context, be they new or existing large participants making a connection application or new entrants of smaller scale.
55. It is also consistent with the manner in which the costs of physically establishing a connection to the relevant network are borne by the *connection applicant*. This approach:
  - a. provides an incentive for efficient investment such that, for example, the projects more likely to proceed in the Pilbara region are those most economically feasible; and



b. will assist in improving the efficiency and competitiveness of the industry as a whole.

56. These outcomes are in the interests of the Pilbara resource industry more generally, and to the State as a whole.

*The importance to the Pilbara resources industry of a secure and reliable electricity supply:*

57. The ISO's connection and access functions ensure that *connection applications*, whether for connection of new equipment or modification of an existing connection, are developed and occur in manner consistent with the standards needed to maintain and improve the safe, secure and reliable supply of electricity to all users of the NWIS.

58. Providing the ISO with clarity and certainty in its recovery of these costs will also enhance the ISO's capacity to apply appropriate levels of resourcing in a timely manner when performing its connection and access related functions. This will, in turn, contribute to ensuring the safe, reliable, and secure operation of the NWIS for the benefit of all.

*The nature of electricity supply in the Pilbara region, including whether or not regulatory approaches used outside the Pilbara region are appropriate for the region, Pilbara network users, and Pilbara networks:*

59. The regimes for connection, access and system operations in both the National Electricity Market and the WA Wholesale Electricity Market make use of a user pays approach in the allocation of the market operator's costs of supervising and facilitating connection applications.

60. This regulatory approach has already been accepted as suitable for use in the Pilbara region, through its adoption in the Coordinator of Energy's recently completed rule change mentioned above to introduce a new Subchapter 9.3 for compliance at a *connection point*.

61. As noted earlier, allocation of costs in accordance with this Proposal will result in these ISO costs being borne by those who will benefit from the services provided by the ISO in performance of its functions, rather than being spread between the three *registered NSPs* and or being passed on in turn to their customers. This should provide more targeted incentives for efficient use of the ISO's services.

*Any other matter the person or body considers relevant:*

62. It is in the interests of all NWIS participants and the improved reliability and security of the NWIS as a whole that the ISO is able to perform its access and connection related functions with full confidence and certainty in its ability to recover its costs of doing so.

63. If these ISO costs are not recovered on a user pays basis, and were instead socialised through *ISO fees*, the result would raise issues of equity and fairness that are difficult to answer, beyond perhaps a relatively simplistic assertion that since everyone benefits from the ISO's role in overseeing the connection process to preserve reliability, it is worth everyone contributing (whether directly or indirectly) to these costs. The ISO considers that this assertion is difficult to sustain in light of applications that may be made by participants of the character, sophistication, scale and resourcing of, for example, Woodside and other Pilbara resource industry participants.

## **Proposal B – Procedure relating to essential system services under Subchapter 8.1**

64. See paragraph [82] below under the heading **Benefits**.

65. As to the ISO's intended use of the *EBAS procedure* to continue the arrangements established in the interim *procedure*, the ISO will, through engaging with technical experts and stakeholders, be able to access a range of perspectives and expertise to inform its decision-making processes. This will help to ensure that the levels *essential system services* that are specified, procured and enabled are appropriate and cost-effective, and that the procurement process promotes competition and efficiency in the provision of these services.

66. In particular, a technical consultation group could help to:

- a. identify and assess risks: technical experts could provide insights into potential risks to the security and reliability of the *NWIS*, and help the *ISO* to assess the likelihood and potential impact of these risks. This will help to ensure that the levels of *essential system services* that are procured are appropriate to mitigate these risks;
  - b. inform procurement planning: technical experts could provide advice on the types and quantities of services that are required, and help the *ISO* to develop procurement plans that promote competition and efficiency in the provision of these services; and
  - c. evaluate service performance: technical experts could help to evaluate the performance of service providers, and ensure that they are delivering services that meet the contracted requirements.
67. Overall, by forming a technical consultation group, the *ISO* would be better equipped to ensure the efficient investment in, and efficient operation and use of, electricity networks in the Pilbara region which should in turn contribute to improving the reliability, safety, and security of the *NWIS* for the benefit of all users and consumers.

As to the matters in regulation 4 of the *Electricity Industry (Pilbara Networks) Regulations 2021* to which the Coordinator must have regard —

*The contribution of the Pilbara resources industry to the state's economy and the nature and scale of investment in the Pilbara resources industry:*

68. A secure and reliable electricity supply is critical to supporting the ongoing growth and development of the Pilbara resources industry, which is a significant contributor to the Western Australian economy. That industry is characterised by significant investments in large-scale mining and processing facilities, often located in remote areas, that require a reliable electricity supply.
69. The Proposal will enhance the *ISO*'s capability to see that the risks associated with the operation of *NWIS* are managed by ensuring that the levels of *essential system services* are appropriate to support the needs of the Pilbara resources industry.
70. By specifying and procuring the right levels of *essential system services*, the *ISO* can seek to minimise the costs associated with electricity supply to the Pilbara resources industry, helping to promote efficient investment in the Pilbara resources industry and its growth and development more generally.

*The importance to the Pilbara resources industry of a secure and reliable electricity supply:*

71. As noted, a secure and reliable electricity supply is of critical importance to the Pilbara resource industry. The Proposal will help the *ISO* to ensure that the levels *essential system services* procured are appropriate to maintain the secure and reliable operation of the *NWIS* supply, and to minimise the risk of disruptions to the Pilbara resources industry.

*The nature of electricity supply in the Pilbara region, including whether or not regulatory approaches used outside the Pilbara region are appropriate for the region, Pilbara network users, and Pilbara networks:*

72. The unique character of the Pilbara region and the resources industry within it has been mentioned above, see paragraph [68]. The region also has the potential for high levels of renewable energy generation to be developed. The intentions of present and future *Pilbara network users* and Pilbara resource industry participants more generally in reducing their carbon emissions, including in their electricity supply chains, strongly indicate that increasing levels of renewables can be expected in the region in the near, medium and long term.
73. The Proposal will help the *ISO* develop tailored approaches to the procurement of *essential system services* that are appropriate for these unique circumstances and is an appropriate regulatory approach for the region.

*Any other matter the person or body considers relevant:*

74. The Proposal will give the *ISO* a clear capability to engage with stakeholders and experts in availing itself of advice of those with the technical knowledge and understanding of the unique characteristics of the *NWIS* and the Pilbara region more generally.
75. The Proposal will also assist the *ISO* in developing processes that ensure transparency and accountability in the procurement, delivery and performance of *essential system services*.
76. This will enable stakeholders to better understand *essential system services* related processes and to provide feedback, which will contribute to ensuring that the *ISO* is meeting the needs of the *NWIS* and its users.

#### 4. Provide any identifiable costs and benefits of the change:

##### Proposal A – ISO access and connection related costs

###### Benefits

77. The following benefits accrue through the Proposal:
  - a. it will encourage efficiency in the making of *connection applications* – through incentivising the use of the *ISO*'s services when projects are economically feasible;
  - b. it will ensure that the costs of the *ISO*'s services are borne by those who will benefit from it, rather than by all users of the system; and
  - c. it will establish consistency with the treatment of the *ISO*'s corresponding *connection application* related costs under new Subchapter 9.3. Consistency will also result in simplicity in the administration and understanding of how these costs are treated; and
  - d. it will give clarity and certainty to the *ISO* in its recovery of these costs. This will, in turn, improve the *ISO*'s capacity to perform these functions and so contribute to ensuring the safe, reliable, and secure operation of the *NWIS* for the benefit of all.

###### Costs

78. The *ISO* currently estimates that relevant costs for provision of these connection application services will typically be in the range of \$20,000 to \$40,000 but could be significantly higher, depending on the scale and complexity of the connection sought.
79. It is possible that in some contexts, connection (and connection related costs like those of the *ISO*) may be a barrier to entry for potential users, particularly small-scale users, and so act as a limit on competition and or innovation.
80. The *ISO* maintains that these costs, as a relatively small component of the connection costs payable by an applicant overall, are unlikely to be a decisive factor in cases where costs of connecting to the system may be so high that they discourage investment in new energy projects or infrastructure.
81. The *ISO*'s intention to use the *access and connection procedure* to provide guidance on connection related costs, as well as detail on when and how the *ISO* performs these functions as part of the connection process, will assist applicants in estimating and making adequate provision for those costs and aid a better understanding of the *ISO*'s role.

## Proposal B – Procedure relating to essential system services under Subchapter 8.1

### Benefits

82. Overall, a *procedure* for managing *essential system services*, including an ability for the *ISO* to call on the expertise of a technical consultation group, could bring significant benefits to the Pilbara region and to users of the *NWIS*, including better decision making, increased stakeholder engagement, better risk management, improved system reliability and security, better cost management and improved compliance:
- a. Improved decision-making: by seeking the advice of a range of stakeholders, and obtaining access to a range of technical experts, when determining the levels of *essential system services* to be procured, the *ISO* can benefit from a wide range of perspectives and expertise, which will help to ensure that the levels of *essential system services* are appropriate for the unique circumstances of the Pilbara region.
  - b. Increased stakeholder engagement: engaging with stakeholders through a technical consultation group could help to increase stakeholder awareness and understanding of the technical requirements of the Pilbara region, and to build greater trust and cooperation between stakeholders and the *ISO*. This could help to improve the overall effectiveness of the electricity system, and promote greater stakeholder support for the *ISO's* decisions.
  - c. Better risk management and improved security and reliability: Through engagement with technical experts and stakeholders, the *ISO* will be assisted in developing:
    - i) a sophisticated and comprehensive understanding of the risks to the secure and reliable operation of the *NWIS*; and
    - ii) more effective risk management strategies to address these risks, thereby contributing to improvement in the overall security and reliability of the system.
  - d. Better cost management: development of a *procedure* dealing with *essential system services* could help the *ISO* to manage *essential system services* costs more effectively, including by reducing the potential of over-procuring or under-procuring these services.
  - e. Improved compliance: a *procedure* for *essential system services* could help the *ISO* to show stakeholders how it will meet its obligations under Subchapter 8.1, and so help to ensure that the *Pilbara network users* and *Pilbara networks* are well-served and protected.

### Costs

The Proposal may involve a range of costs, including the following:

83. Administrative and resourcing costs: Developing and implementing a *procedure* will involve resourcing costs, including time, money, and staff or consultant resources. Forming a technical consultation group may involve some administrative costs, including the cost of convening meetings, and the time and effort needed to coordinate with stakeholders.
84. Implementation: implementation of a new *procedure* may involve time and effort on the part of stakeholders and participants to become familiar with it and adapt to its use.
85. Conflict of interest: Some participants have conflicts of interest that could impact their ability to provide advice as part of a technical consultation group. The interim *essential system services procedure* developed by the *ISO* has already identified and addressed this issue.
86. Time: consultative processes like that the *ISO* is engaging in with the technical consultation group under the interim *procedure* can take time, and the *ISO's* preference is for the group to reach consensus on the levels of *essential system services* needed. Nonetheless the relevant decisions will remain the prerogative of the *ISO*, which should help ensure that the process of specifying and procuring *essential system services* occurs expeditiously.

87. Overall, while there may be some costs associated with the Proposal, including the development of a *procedure* and formation of a technical consultation group, the *ISO* believes the benefits of the Proposal proceeding clearly outweigh these costs. The arrangements established through the interim *procedure* are showing that these costs are reasonable and manageable.
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