



Minutes

Meeting Title:	Pilbara Advisory Committee (PAC)
Date:	30 March 2023
Time:	2:00pm – 3:10pm
Location:	Videoconference (Microsoft Teams)

Attendees	Class	Comment
Sally McMahon	Chair	
Jacinda Papps	Registered Network Service Provider (NSP)	
David Stephens	Registered NSP	
Momcilo Andric	Registered NSP	
Chris Bossong	Excluded NSP	
Neil Midolo	Excluded NSP	
Geoff White	Small-Use Consumer	From 2:40
James Campbell-Everden	Independent System Operator (ISO)	Presenter for agenda item 6(b)
Noel Ryan	Observer appointed by the Minister	

Also in Attendance	From	Comment
Dora Guzeleva	PAC Secretariat	Observer
Sarah Graham	PAC Secretariat	Observer
Thomas Marcinkowski	PAC Secretariat	Observer
Glen Carruthers	Fortescue Metals Group	Observer

Apologies	From	Comment
Anne Taylor	Excluded NSP	Apologies not received, but not in attendance
Frances Hobday	Observer appointed by the Economic Regulation Authority (ERA)	Apologies not received, but not in attendance

Item	Subject	Action
1	<p>Welcome</p> <p>The Chair opened the meeting at 2:00pm with an Acknowledgement of Country and welcomed the PAC members.</p> <p>The Chair disclosed that, in her capacity as Commissioner at the Australian Energy Market Commission, she is now on the Energy Reference Group at the Grattan Institute.</p> <p>As I foreshadowed previously, given my Commissioner role, I just want to record that, as independent chair of the PAC, my views may or may not be the same as the PAC advice that we may provide to the Coordinator from time to time.</p>	
2	<p>Meeting Apologies/Attendance</p> <p>The Chair noted the attendance and apologies as listed above.</p> <p>The Chair acknowledged the attendance of Mr Carruthers (Transmission Specialist) as an observer for FMG.</p>	
3	<p>Competition Law Statement</p> <p>The PAC acknowledged the obligations of PAC members under the Competition Law Statement.</p>	
4	<p>Minutes</p> <p>Minutes of Meeting 2022_11_09</p> <p>The Chair noted that the minutes of the 9 November 2022 PAC meeting were previously approved by the PAC out of session.</p>	
5	<p>Action Items</p> <p>The closed action items were taken as read.</p> <p>Action items 1 and 2 are now complete.</p>	
6	<p>Rule Changes</p> <p>(a) PRC_2023_01 – Overview of Rule Change Proposals</p> <p>The Chair noted there are two updates in the paper:</p> <ul style="list-style-type: none"> • The first related to the Pilbara ISO rule change proposal which is tabled for discussion at this meeting. • The second related to the Integrated LNG Systems rule change proposal which is due to come into effect on 31 March 2023. <p>The Chair acknowledged the contributions of the PAC in the progression of the Integrated LNG Systems rule change.</p> <p>(b) PRC_2023_01 – Various Pilbara ISO Functions (Access and connection costs; ESS procurement; CPC measures)</p>	

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	<p>The Chair noted that the ISO formally submitted this rule change proposal on 14 March 2023, with the first submission period due to close on 8 May 2023.</p> <p>The Chair noted the recommendations in the cover paper and confirmed that any agreed outcomes will be captured as the PAC's advice to the Coordinator in the minutes. If PAC members do not agree, the Chair noted that this will also be captured in the minutes.</p> <p>The Chair invited Mr Campbell-Everden to introduce the paper and talk through the rule changes being proposed by the ISO.</p> <p>Mr Campbell-Everden advised that he would summarise each of the three proposals separately.</p> <p>Proposal A: ISO access and connection costs</p> <p>Mr Campbell-Everden provided a summary of Proposal A and noted that the ISO sought advice from the PAC at its 3 August 2022 meeting regarding its access and connection costs.</p> <p>Mr Campbell-Everden noted that it was considered fairer and more equitable for the costs to be borne by the user rather than smeared across the NSPs, and that Proposal A is intended to achieve certainty about what costs may be passed on and in what manner.</p> <p>Mr Campbell-Everden provided background regarding the ISO's access and connection functions, noting that:</p> <ul style="list-style-type: none"> the ISO has developed the first draft of an access and connection procedure, which will be published on its website around 1 May 2023, and offered to provide this on a confidential basis to the PAC; the ISO will incorporate comments from this PAC meeting into the next draft of the procedure; feedback to date indicates that industry wants clarity and certainty regarding time and cost, and that the costs should be attributable and identifiable upfront; and the ISO's role in the access and connection process is primarily with the registered NSP with very little interaction with the access applicant. <p>Mr Campbell-Everden indicated that the ISO is currently drafting a connection point compliance procedure (CPC) and is considering how the Harmonised Technical Rule (HTR) derogations will work in the future alongside the access and connection, and CPC processes.</p> <p>Mr Campbell-Everden further noted that:</p> <ul style="list-style-type: none"> there is urgency regarding Proposal A, given that the ISO is already undertaking these functions and is managing costs via interim agreements with the registered NSPs; the Pilbara electricity objective is covered in detail in paragraphs 51 to 63 of the rule change proposal, however, the ISO considers that it is economically efficient to allocate costs on a causer-pays basis; 	

Item	Subject	Action
	<ul style="list-style-type: none"> the access and connection procedure will ensure that costs are allocated fairly, and that pricing mechanisms are transparent; it may be sensible to align the cost recovery provisions under subchapter 9.3 with the changes in Proposal A; and the ISO is open to suggested changes regarding the drafting, including to the numbering of clauses which may need fixing; 	
	<p>While Mr Campbell-Everden highlighted the difficulty in estimating the relevant costs, he provided an estimate of \$20,000 - \$40,000, noting that this is dependent on a number of factors.</p>	
	<p>The Chair invited the PAC members to comment on Proposal A.</p>	
	<p>The Chair invited Mr Carruthers to ask a question, on behalf of Mr Midolo, on the basis of his experience in the SWIS.</p>	
	<p>Mr Carruthers noted that there is a challenge in the SWIS in distinguishing between shared assets and connection assets, and that:</p>	
	<ul style="list-style-type: none"> under the PNR, each category should be well defined as it can impact how network users are charged; and a 'shared asset' is spread across multiple network users whereas a 'connection asset' is typically an upfront cost for the party that is connecting, and a lack of definitions can result in customers being charged differently. 	
	<p>The Chair invited Mr Campbell-Everden to clarify which costs are subject to the rule change proposal and to respond to the comment by Mr Carruthers.</p>	
	<p>Mr Campbell-Everden clarified that the access and connection costs in question are those directly attributable to Subchapter 9.2 of the PNR and noted that:</p>	
	<ul style="list-style-type: none"> they relate to the ISO review of the registered NSPs work to assess whether the applicant has met the connection standard under the HTR; there is a three-stage process, which includes the feasibility stage, the assessment stage, and the connection and energisation stage; and ultimately the ISO's role is to provide guidance on what studies need to be done and whether any additional studies are required. 	
	<p>At the request of the Chair, Mr Campbell-Everden confirmed the rule change only relates to the recovery of ISO related costs, not the connection charges.</p>	
	<p>Ms Papps added that the difference in the Pilbara is that applicants are seeking to connect to a registered NSP and connections are covered by bilateral arrangements, as opposed to connecting to Western Power in the SWIS.</p>	
	<p>Ms Papps asked whether:</p>	

Item	Subject	Action
	<ul style="list-style-type: none"> • there is any chance that any costs under Subchapter 9.2 could be deemed to be shared costs; and • the drafting under clause 274A could be amended to include the words “in relation to that connection application” under subclause 1. <p>Ms Papps added that Alinta supports the intent of the proposal and wants to ensure that where there are shared costs incurred under subchapter 9, they are smeared across the registered NSPs rather than passed through.</p> <p>The Chair asked Mr Campbell-Everden to clarify what happens if the ISO identifies shared costs that are not attributable to the access applicant:</p> <p>Mr Campbell-Everden:</p> <ul style="list-style-type: none"> • noted that the ISO has encountered these types of costs before and shared costs are separated and charged to the NSPs; and • agreed that the access and connection procedure needs to be amended to be clearer on that issue. <p>Mr Andric agreed with the points raised by Ms Papps and Mr Campbell-Everden, and further noted that:</p> <ul style="list-style-type: none"> • currently in the Pilbara there are no shared network assets; • however, there are potentially shared costs involved, for example system modelling that is ultimately shared with other connection applicants so they can do the appropriate studies. <p>Mr Campbell-Everden agreed with Mr Andric.</p> <p>Ms Guzeleva added that some words captured in the minutes of the 3 August 2022 PAC meeting were not directly reflected in the proposal, noting that:</p> <ul style="list-style-type: none"> • it was agreed that the rules should clarify that costs should be identifiable and directly attributable to the connection applicant, rather than leaving it to the procedure; and • given that members have made similar observations, this option should be explored. <p>Ms Papps agreed and the Chair confirmed that this is consistent with the discussion.</p> <p>Mr Stephens asked Mr Campbell-Everden whether there was any cut off related to the size of a connection or a customer in determining whether costs apply, as Horizon has a lot of very small residential connections.</p> <p>Mr Campbell-Everden noted that this is covered under the access and connection procedure specifying those that are exempt, and that there are also relevant PNR exemptions.</p> <p>Mr Campbell-Everden noted that, if the ISO has to be engaged from a security and reliability point of view and costs are incurred as a result,</p>	

Item	Subject	Action
	<p>these costs need to be passed through. However, there is less risk with smaller connections.</p> <p>The Chair noted that at the 3 August 2022 PAC meeting there was discussion about whether costs are 'material' and asked if this would be helpful to implement in the rules.</p> <p>Mr Campbell-Everden noted that this would depend on the definition of 'material' and that, in his opinion, engaging consultants would be a threshold for materiality, as this is where the ISO would start incurring additional costs.</p> <p>Mr Campbell-Everden added that, while the ISO has introductory meetings in all cases and discusses the access and connection framework regularly, it does not bill for this kind of work.</p> <p>Mr Bossong advised that he was required to leave early, and noted the following before he left:</p> <ul style="list-style-type: none"> • he is largely aligned with the discussion and is supportive of the proposal; • there needs to be clarity and transparency regarding the actual costs and work required; and • there may be work on an issue for which consultant's costs are ultimately passed through to a connection applicant, but later this work benefits other parties. <p>Mr White noted he had no issue with the proposal.</p> <p>The Chair summarised the PACs agreed position on Proposal A as follows:</p> <ul style="list-style-type: none"> • The costs need to be identifiable and attributable, with clarity needed as to the types of costs that might be directly attributable versus those shared. • There needs to be consideration of the extent to which work completed by a consultant work may assist other connection applicants. • There needs to be transparency as to what those costs are (noting that this may be covered in the access and connection procedure). • Whether costs are 'material' depends on whether additional costs will need to be incurred. In other words, materiality is determined by work that needs to be done rather than the type of customer, with the expectation that small customers would not be likely to incur extra costs. <p><u>Proposal B: Procedure related to essential system services under Subchapter 8.1:</u></p> <p>Mr Campbell-Everden provided an overview of Proposal B, noting the following key points:</p> <ul style="list-style-type: none"> • Proposal B deals with the ISO's ability to develop an Essential System Services (ESS) Procedure under subchapter 8.1. 	

Item	Subject	Action
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- The ISO has published an interim procedure relating to subchapter 8.1, which considers the ESS objectives and has provided for a Technical Working Group (TWG) to assist the ISO with determining its ESS requirements.
- On 1 July 2023, the transitional period ends and all interim procedures, including the ESS Procedure, will no longer have effect.
- Proposal B seeks to amend rule 244 so that the ESS procedure is retained, and the TWG remains to provide advice on the procurement processes.
- All procedures developed under the interim process will cease to have effect from 1 July 2023, and the ISO seeks the PAC's views on whether these can be retained, provided that there has been appropriate consultation.
- There is some urgency attached to Proposal B, as there is an ESS RFP process currently being undertaken and the ISO wants to refer issues to the TWG, as required.
- The Pilbara electricity objective is addressed in detail in paragraph 66 of the rule change proposal, with a number of efficiency and security and reliability benefits outlined.
- Costs are outlined in detail in paragraph 82 but are relatively low.

Ms Papps strongly supported Proposal B and made the following points about the drafting approach:

- The proposed drafting suggests the energy balance and settlement (EBAS) procedure would be a single procedure covering subchapters 8.1, 8.2 and 8.3;
- Having a single procedure covering EBAS and ESS may introduce complexity to a procedure that is already complex and may present a barrier to entry for participants;
- a new clause 244A in the PNR would allow the ISO to create standalone ESS procedure, noting this is more forward-thinking and less operational than the EBAS.

Mr Campbell-Everden noted that the intention of the ISO was to split the procedures for EBAS and ESS, as the PNR provides the ISO with the discretion to split procedures as long as there is a head of power.

Ms Papps suggested a small amendment to Proposal B for clarity so that it provides for the development of "a procedure or procedures" by the ISO.

Ms Guzeleva suggested that in the interests of efficiency, interim procedures should not be discarded and replaced with new procedures which are created afresh.

Ms Guzeleva further noted that:

- in the Wholesale Electricity Market (WEM), there are transitional arrangements for the development of procedures (including a

Item	Subject	Action
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consultation process), which become permanent procedures under the WEM Rules.

- the ISO has developed the interim procedures using a 15 day consultation process, and once procedures are in place under the PNR anyone can propose changes to those procedures.
- a similar arrangement to that in the WEM could be created under the PNR, whereby interim procedures become permanent, under the proviso that stakeholders are consulted and anyone can propose changes.

The Chair confirmed with Ms Guzeleva that she was suggesting an overarching rule that allowed for interim procedures to become permanent, and invited views from the PAC on this approach. She suggested that such views could be provided after Proposal B had been dealt with.

Mr Andric confirmed that when the initial ESS procedure was prepared it was never intended to be included together with EBAS procedure, as that would introduce too much complexity.

Mr Andric agreed that building upon temporary procedures already in place is the reasonable starting point for the permanent procedures under the PNR.

The Chair then invited further comment on Ms Guzeleva's suggestion to preserve existing temporary procedures.

Ms Papps noted that the proposal made sense and that, as money has already been spent developing existing procedures, it would be efficient to maintain them as this meets the objective of keeping downward pressure on prices.

The Chair confirmed that the agreed PAC's position was of general support for both Proposal B, and the proposal for interim procedures to become permanent under the PNR.

Proposal C: Reference error with regard to Pluto Connection Point Compliance (CPC):

Mr Campbell-Everden gave a brief overview Proposal C and noted that this is simply a correction of a reference error that was brought to his attention and it is an administrative change, not a matter of policy.

Ms Guzeleva added the change is simply the correction of a wrong cross-reference, and it would be inefficient to deal with such a small change in a separate process as it also relates to the ISO functions.

The Chair noted that there was no disagreement from the PAC for Proposal C.

The Chair concluded that the PAC generally agrees with and supports the ISO's Various ISO Functions rule change proposal, and with the explanations provided in the proposal as to specific matters.

The Chair noted the following specific comments on the three proposals:

Item	Subject	Action
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- Proposal A: needs to provide further clarity in respect of the types and treatment of direct and attributable costs, versus shared costs.
- Proposal B: consideration may be given in separating the EBAS and ESS procedures, and there is potential benefit in allowing procedures expiring after 1 July 2023 to continue, subject to these being developed in consultation with participants.
- Proposal C: PAC accepts that the correction needs to be made.

The PAC agreed that the Chair’s summary accurately reflects the position that may be provided the Coordinator.

7 General Business

The Chair invited Ms Guzeleva to briefly speak about the State Electricity Objective (SEO) under other business.

Ms Guzeleva provided a summary of the SEO, noting that EPWA published a draft for a short consultation period, and the intent is to apply the new objectives consistently across the state, including the NWIS.

Ms Guzeleva queried whether there were any views on that decision, noting that members may have already responded to the consultation.

Mr Stephens queried whether the review of voltage and frequency standards would be part of this consultation as it may be relevant for consistency with the HTR.

Ms Guzeleva noted that this work is still happening, but was not part of the consultation on the new SEO, which is a change to the Electricity Industry Act.

Mr Campbell-Everden confirmed the ISO was generally supportive.

The Chair noted PAC members were aware of the consultation, and there were no further comments.

The Chair noted that the next meeting will be held at 9:30am on 18 May 2023 and closed the meeting.

The meeting closed at 3:08pm.