

29 April 2025

Pilbara Energy Transition team
Energy Policy Western Australia
Department of Energy, Mines, Industry Regulation and Safety
pet.secretariat@demirs.wa.gov.au

Dear Pilbara Energy Transition team

Re: Evolution of the Pilbara Network Access Code (PNAC) and Pilbara Network Rules (PNR)

Thank you for the opportunity to comment on the consultation paper outlining the evolution of the Pilbara third party access regime and Pilbara network rules.

The work of Energy Policy Western Australia in leading discussions and compiling these consultation papers is acknowledged. ATCO has been participating in the Pilbara Industry Roundtable and supports the Pilbara Energy Transition Plan to develop new common use transmission.

ATCO is a participant in the Pilbara energy system and owns and operates the Karratha Power Station, an 86MW open cycle gas fired facility located in Karratha. Commencing operations in September 2009, the power station initially operated as a base load to load following facility, whereas it now operates closer to a load following to peaking facility. The station supplies electricity to the North-West Interconnected System (NWIS) via a Power Purchase Agreement with Horizon Power. We are interested in exploring new investment opportunities in the Pilbara.

The process to develop the current light-handed regulatory framework applicable to the NWIS began in 2017. The Pilbara Network Access Code (PNAC) and Pilbara Network Rules (PNR) commenced in 2021 with full implementation taking effect in 2023. The framework has been in operation for a relatively short timeframe. Evolving this regulatory framework to meet decarbonisation objectives will need to balance market freedoms with public interests for economic activity and growth. Negotiating this balance will not be easy, and planning the regulatory framework will need to provide investment signals and maintain competition.

Our submission expands on the below issues for consideration:

- Maintain the current light touch regulatory regime with a focus on reforms that provide certainty for generation and storage investment and the ability to address future emerging issues
- Vertical integration should be dealt as a priority with option B providing a balanced approach to limiting the opportunity and incentive for harmful behaviour
- Review the viability and efficiency of the current model for the Independent System Operator (ISO) as its role is expanded by the proposed reforms
- Exemptions or grandfathering arrangements for existing facilities from default and minimum standards established by the Harmonised Technical Rules

Light touch regulatory regime be maintained

Regulation for third party access provides certainty for investors in the market and will help to secure investment pathways for generators seeking to connect to the network. The extent of the regulatory framework needed to balance the interests of all stakeholders is still unclear, as the anticipated generation and transmission currently present in the Pilbara is only a fraction of what is anticipated for the transition to net zero.

The proposed regulatory changes appear commensurate with an energy market of significantly greater complexity than currently exists in the Pilbara and will increase the regulatory burden across networks. Creating a complex regulatory framework ahead of evidenced issues may adversely impact investment confidence and limit growth. The need to navigate more complex regulatory frameworks will increase operational costs and prolong the time it takes for new network entrants to be operational and thus limit the ability for generators to connect.

Focusing amendments to the regime on addressing barriers to investment will assist in helping the framework evolve. ATCO agrees with the observations in the paper that network expansion will likely involve multiple interconnected covered networks with a variety of owners. Reducing the contracting access requirements by splitting network access in two as proposed in the paper has considerable merit. The approach to allow the PNR to govern most of the electricity transfer and contract only for a right to connect and right to transmit will simplify the establishment of generation projects. This will improve investment confidence and contribute to bringing generation projects to customers sooner.

It is recommended that the light-handed regime be maintained and adjustments to this framework to manage access across multiple networks be incorporated into the regulatory framework.

Addressing vertical integration as a priority

The paper notably identifies the risks of vertical integration to growth of the Pilbara market. Vertical integration is a prominent feature of the Pilbara market and regulatory controls to limit the incentive for harmful or monopolistic behaviour should be established early to clarify the boundaries for all participants. Addressing the issue will encourage competition and provide confidence for investment in generation and storage to enable its transition.

The suitability of the three options proposed in the discussion paper to the Pilbara market need to consider the appropriateness of controls with respect to the market's size, complexity, cost and competitive pressure. In our view, Option B to transfer sensitive functions to the ISO achieves an appropriate balance and will improve confidence for all investors entering the market. It is noted that Option B is also the preferred option.

The pursuit of Option B will impact the role of the ISO requiring greater resourcing that will be borne by all market participants. The cost of a larger ISO would need to be weighed against the cost to the market of full ownership separation requirements. A staged approach to building the ISO's functions and independence may best balance these needs as the Pilbara market evolves.

Model for system operation

The role and function of the ISO is proposed to be significantly expanded by reforms. The current ISO model was created to provide independent oversight at minimum cost and resources to Pilbara market participants.

Expansion of the ISO needs to be considered in the context of a developing Pilbara market and if the functionality proposed is justified against the resources and complexity created. Some additional ISO functions could be achieved at minimal cost and with flexibility to accommodate a growing market, but there will be a point when the delivery of functions will benefit from efficiencies of an established market operator.

An expanded ISO will bring into question whether the current delivery model is the most cost effective to provide the services and if cost oversight is required. The Australian Energy Market Operator already delivers some of the proposed ISO functions for other energy markets across Australia. It seems prudent that consideration be given to whether efficiencies could be gained from consolidation of these services. It is noted that the differences between energy markets may create complexities and will require careful evaluation. A scheduled review is suggested to be built into the regulatory framework to consider the issue when staged establishment of the ISO functions is complete.

Pilbara Network Rules

ATCO support the approach for the Harmonised Technical Rules to establish default and minimum standards for new generation and storage facilities. Existing facilities should be allowed exemptions or grandfathering arrangements from these harmonised standards to ensure that costs of compliance can be paid or subsidised by the network operator to ensure safety and adequacy of the system. Grandfathering applying to the generation licence will allow for their continuation beyond contracting arrangements.

About ATCO

ATCO is a global integrated energy, housing, transportation, and infrastructure company and has been operating in Australia for more than 60 years. Our Australian footprint includes the ownership and operation of Western Australia's largest natural gas distribution network, power stations in Karratha, WA and Osborne, SA, as well as the development of renewable and hydrogen assets. We have a long history of partnering with communities and Indigenous groups, energising industries, and delivering customer-focused infrastructure solutions.

If you have any questions or would like to discuss any of the comments made in this submission, please contact Hugh Smith, Executive General Manager – Strategy & Corporate Affairs at hugh.smith@atco.com or 0459 894 397.

Yours sincerely



Chris Judd

Executive General Manager New Energy