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Energy Policy WA
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To whom it may concern

**CONSULTATION – SUBMISSIONS TO THE PILBARA EVOLUTION
CONSULTATION PAPERS**

Thank you for the opportunity to comment on the *Evolution of the Pilbara Networks Rules Consultation Paper* and the *Evolution of the Pilbara Electricity Access Regime Consultation Paper* released on 5 February 2025. In this submission, the Pilbara ISOC Co would like to set out some key issues with regard to governance arrangements of the Pilbara ISOC Co for Energy Policy WA's (EPWA) further consideration.

With regard to the proposed reform set out in Section 5 of the *Evolution of the Pilbara Networks Rules Consultation Paper*, the Pilbara ISOC Co draws the following matters to EPWA's attention:

Function and independence of the Board

The primary role of the Pilbara ISOC Co Board is to set the strategic direction of the organisation, ensure governance and compliance frameworks are in place, and monitor the performance of the business. The Board formally delegates the day-to-day management of Pilbara ISOC Co to the Chief Executive Officer.

The Pilbara ISOC Co Board operates in accordance with established good governance principles which include setting the strategy and risk appetite for the company. In common with all Boards, the Board has always been conscious of managing potential and perceived conflicts of interest in accordance with its obligations at law and has always adhered to strict board protocols to manage this risk. This includes a delegation of day-to-day operational decision making to the Chief Executive Officer of Pilbara ISOC Co and delegation of governance matters on which there is a conflict of interest to the two independent directors.

These processes have been further strengthened through the Pilbara ISOC's application and subsequent granting of the authorised conduct with conditions from the Australian Competition and Consumer Commission (ACCC). The ISO has published a number of governance documents on its website demonstrating how decision making and governance is managed. Pilbara ISOC is always open to having discussions with stakeholders as to how to manage the perception of conflicts of interest.

Board composition

The Pilbara ISOC notes proposal 16.3 proposes directors being appointed by the Minister for Energy. The Pilbara ISOC supports a mix of NSP nominated member appointed directors and independent directors on the Board with appropriate diversity and skills to govern the company. The board routinely reviews its skills matrix to identify capability gaps and seeks to supplement this with external resources.

Proposals 16.1 and 16.3 appear to refer to the ISO Chief Executive Officer as a director of the ISO. This is not currently the case for the Pilbara ISOC. The directors are currently those noted in section 5.2.1 of the consultation paper.

ISO budget and fees

The Pilbara ISOC welcomes further discussion on the proposals regarding the formulation of ISO fees and its budget given the Pilbara ISOC is an independent company with solvency requirements under the Corporations Act.

The Pilbara ISOC recognises that the current equal allocation of ISO fees to registered network service providers may not always align with the benefits received, particularly as the functions and related costs of the ISO increase and benefit a wider group of stakeholders over time.

Functions of the Pilbara ISOC

The Pilbara ISOC operates for the purpose set out in its Constitution which is to perform the functions granted to it under the *Electricity Industry Act 2004*. These are largely contained in the Pilbara Networks Rules (summarised in Rule 33) and consist mainly of regulatory and administrative type functions which are designed to maintain and improve system security and reliability on the north-west interconnected system (NWIS).

The Pilbara ISOC would welcome the opportunity to discuss other aspects of the proposed reform initiatives with EPWA in due course to contribute its learnings and experience and explore potential impacts on the functions and resourcing of the company going forward.

The Pilbara ISOC is currently working with a number of host network service providers on the connection of new renewable energy projects. These new connections are essential to decarbonise the operations of many large resource companies in the Pilbara. Through these and other operational processes the Pilbara ISOC has identified gaps in the Rules (including the Harmonised Technical Rules) relating to access and connection, modelling, essential system services, system strength, generation adequacy, loss factors, outage planning, visibility, network planning, compliance and confidential information.

The Pilbara ISOC Co notes the proposed increase in functions for the Pilbara ISOC Co and the move to increase transparency and independence. These are important concepts which the Pilbara ISOC Co wishes to fully engage on in due course. Key considerations likely include impact on the ACCC's authorisation and the staging and implementation of the proposals including any transition requirements such as resourcing, systems upgrades and the immunities regime.

Subject to final approval by the Pilbara ISOC Co Board, the Pilbara ISOC Co is seeking to enter into a contract for service with EPWA following the close of submissions, where it can fully contribute its learnings and experience derived from the past performance of its functions to the design and implementation of a fit for purpose regime in the Pilbara.

Once the design of the regime has been developed, the Pilbara ISOC Co encourages EPWA to consider and further consult on:

- the immunities regime, ensuring it is fit for purpose
- the impact of other laws on the effectiveness and efficiency of the operation of the regime.

Thank you again for consulting on these important reforms, the Pilbara ISOC Co looks forward to engaging further with EPWA.

Yours sincerely

Melanie Cave

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