# Regulatory Reform in the North West Interconnected System

## Stakeholder Reference Group

## 11 December 2017

# Agenda

1. **Introduction**
2. **Summary of Stakeholder Submissions**
3. **High Level Framework**
4. **Design Process – Next Steps**

# Stakeholder Submissions to Issues Paper

# STAKEHOLDER SUBMISSIONS

## *NWIS Network Definitions*

NWIS Coastal - Horizon, Alinta, BHP lines in Karratha & Port Hedland areas

NWIS Interconnected Network - NWIS Coastal + Rio Tinto network

# STAKEHOLDER SUBMISSIONS

14 Submissions received from:

| |
|---|
| Alinta Energy |
| ATCO |
| BHP |
| Chamber of Commerce and Industry WA |
| City of Karratha |
| FMG |
| Horizon Power |
| Pilbara Development Commission |
| Rio Tinto * |
| Roy Hill |
| Shire of East Pilbara |
| Town of Port Headland |
| TransAlta |
| Woodside |

\* Confidential submission

Public submissions have been published on the Department of Treasury website today

# STAKEHOLDER SUBMISSIONS

- Submissions generally support the need for some degree of reform in the NWIS

- Submissions generally agree that the reforms have the potential to:

  - improve asset utilisation;

  - lower prices; and

  - improve system security and reliability

- Asset owners are mostly wary of relinquishing control of, or allowing open access to, their own assets

- Regional councils consider that the reforms require greater focus on the inland NWIS to support more efficient prices and access for:

  - Junior Miners;

  - large scale renewables; and

  - industry development

# STAKEHOLDER SUBMISSIONS

<u>Access Framework</u> – areas of general agreement

- ✓ A clear and robust dispute resolution framework

- ✓ An appropriate information disclosure regime

- ✓ Supportive of National Competition Council guidelines

- ✓ Periodic reviews

- ✓ Constrained access for new connections

- ✓ Preserve existing property/contract rights

- ✓ Mechanism to deliver efficient investment – no gold plating

- ✓ Efficient capex recovered through network prices

- ✓ Ring fencing of Horizon Network & Retail (Horizon proposed ISO+ as an alternative)

# STAKEHOLDER SUBMISSIONS

## Access Framework – Initial Coverage

- Stakeholders presented a range of views on initial coverage (not all stakeholders presented a view)

| Horizon's network only | Horizon + Alinta networks | Coastal networks | NWIS Interconnected Network |
|---|---|---|---|
| Alinta, FMG, Rio Tinto | BHP, Horizon* | | Horizon**, Woodside, TransAlta, Pilbara Development Commission, Town of Port Headland, Shire of East Pilbara, City of Karratha |

*starting point
**longer term vision
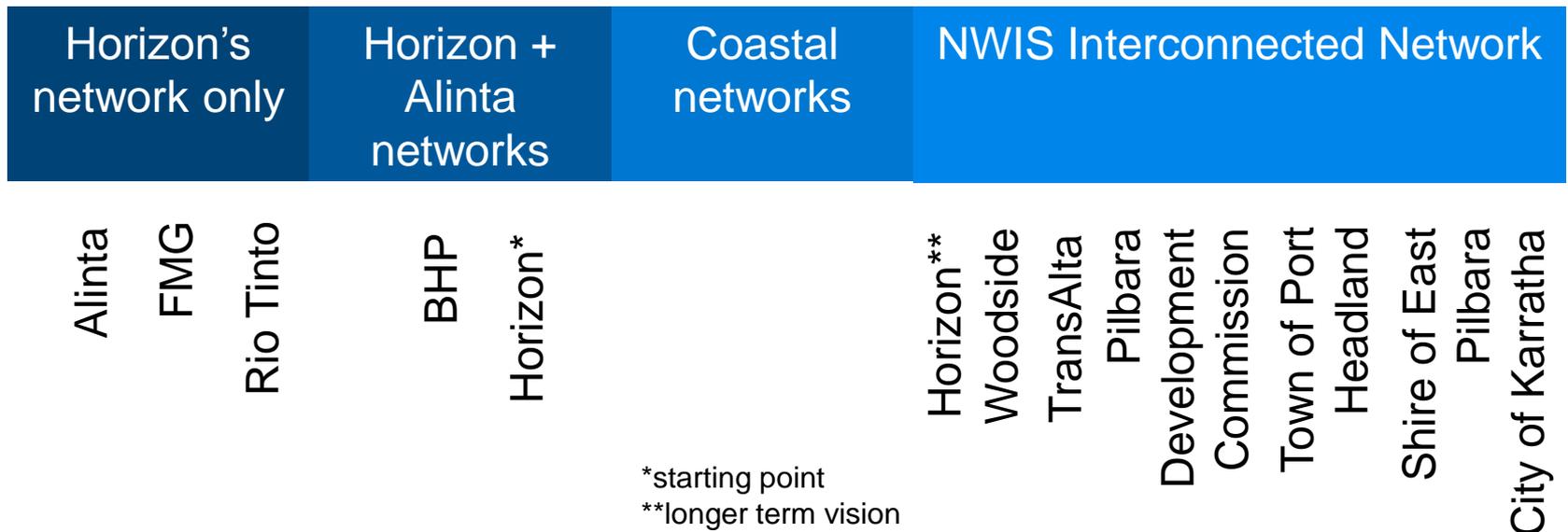
- Businesses that prefer limited coverage initially, generally support mechanisms to potentially extend coverage in the future

# STAKEHOLDER SUBMISSIONS

## Access Framework – Pricing

- Submissions presented a range of views on pricing

- The options below would be supported by information, negotiation & dispute guidelines

← *light-handed*　　　　　　　　　　　　　　　　*heavy-handed* →

| Negotiation only | Detailed Principles & Methods | Key parameters set by Regulator | Floor/Ceiling Price set by Regulator | Prices set by Regulator |
|---|---|---|---|---|
| Rio Tinto  Roy Hill | Alinta  ATCO | Horizon | BHP | Horizon (ISO+ Option) |
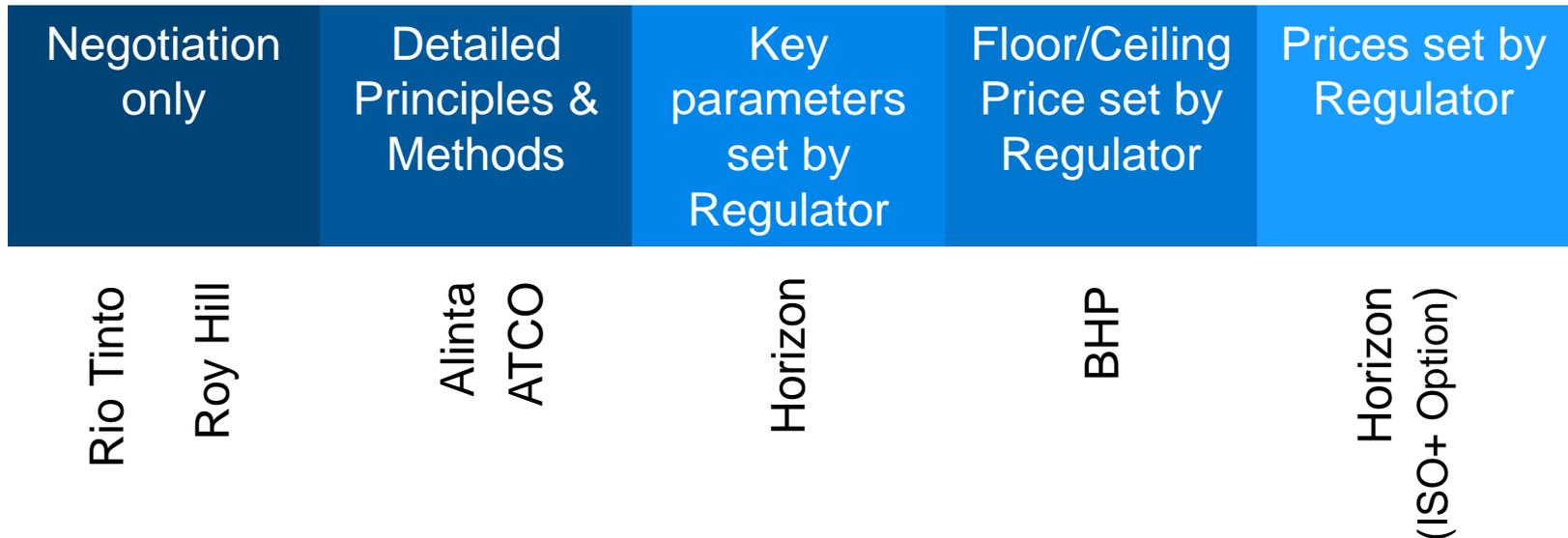
* Detailed principles & methods would apply for all but 'Negotiation Only'

# STAKEHOLDER SUBMISSIONS

Technical Rules – areas of general agreement

- ✓ Development, application, and compliance with consistent technical rules for new generators/users
- ✓ Developed in consultation with asset owners
- ✓ Rule change process and compliance managed by ISO
- ✓ Technical rules for existing assets grandfathered
  - ✓ CBA for any changes to technical rules

# STAKEHOLDER SUBMISSIONS

## System Operator – areas of general agreement

✓ Establishing an Independent System Operator

- Ancillary Services
- Outage, reliability and system security management
- Technical Rules
- Consolidated network model (& assess impact of connection applications on existing users)
- Investigations of system incidents
- Cost recovered from users (some users currently pay for system operations through their contracts)

✓ Independent & experienced → AEMO

# STAKEHOLDER SUBMISSIONS

## System Operator – divergent views

- Horizon proposes additional functions (ISO+)
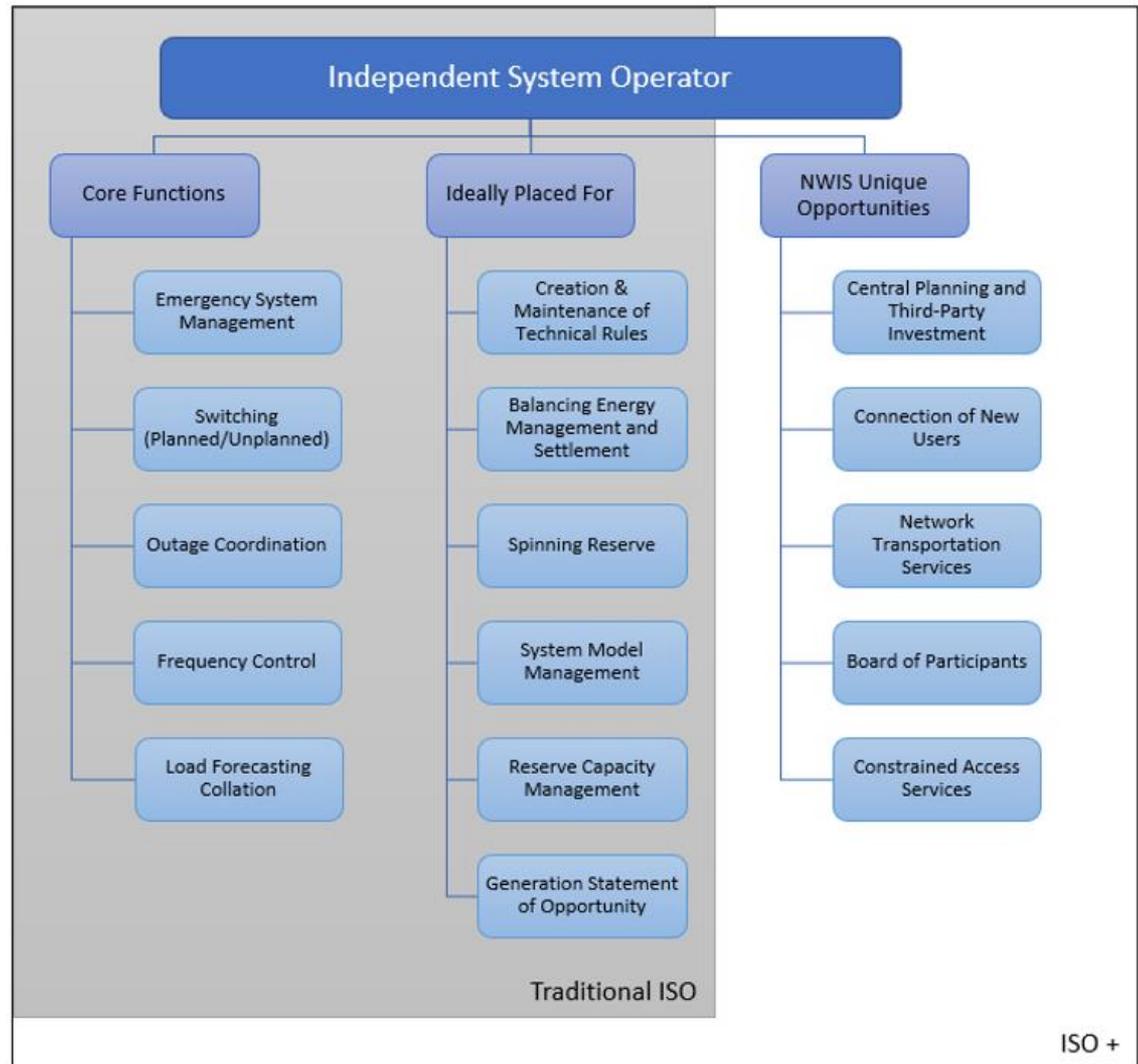
# STAKEHOLDER SUBMISSIONS

## System Operator – divergent views

- Submissions generally support ISO covering the entire NWIS
  - Rio Tinto does not support an ISO with expanded functions and powers covering the NWIS Interconnected Network.  An ISO covering the NWIS Interconnected Network should have no greater functions and powers than Horizon currently.
- Some submissions do not support costs in addition to what is covered in contracts with Horizon
- Most support ISO immunity consistent with other Jurisdictions
  - FMG does not support removal of liability for network failure.

# High Level Design Framework

# NETWORK ACCESS FRAMEWORK

**Coverage**

**Access Coverage –** Initial, Extension

**Framework**

| Negotiation Framework | Pricing Methodology | Information Disclosure | Dispute Resolution | Connection & Access Policies |

**Structural**

**Ring Fencing** – Accounting, Function

**Other** – FRC, Prudentials, Metering

**Transition**

**Transition** – protecting existing contractual/property rights

# INDEPENDENT SYSTEM OPERATOR

| | |
|---|---|
| **Coverage** | **Network coverage –** Initial, Extension |

| | |
|---|---|
| **Framework** | **Operational planning** · **Emergency response** · **Frequency control** · **Switching** · **System model management** · **Other*** |

| | |
|---|---|
| **Structural** | **Ring Fenced or standalone** – Accounting, Function · **Other** – Governance, funding |

| | |
|---|---|
| **Transition** | **Transition** – network visibility and powers |
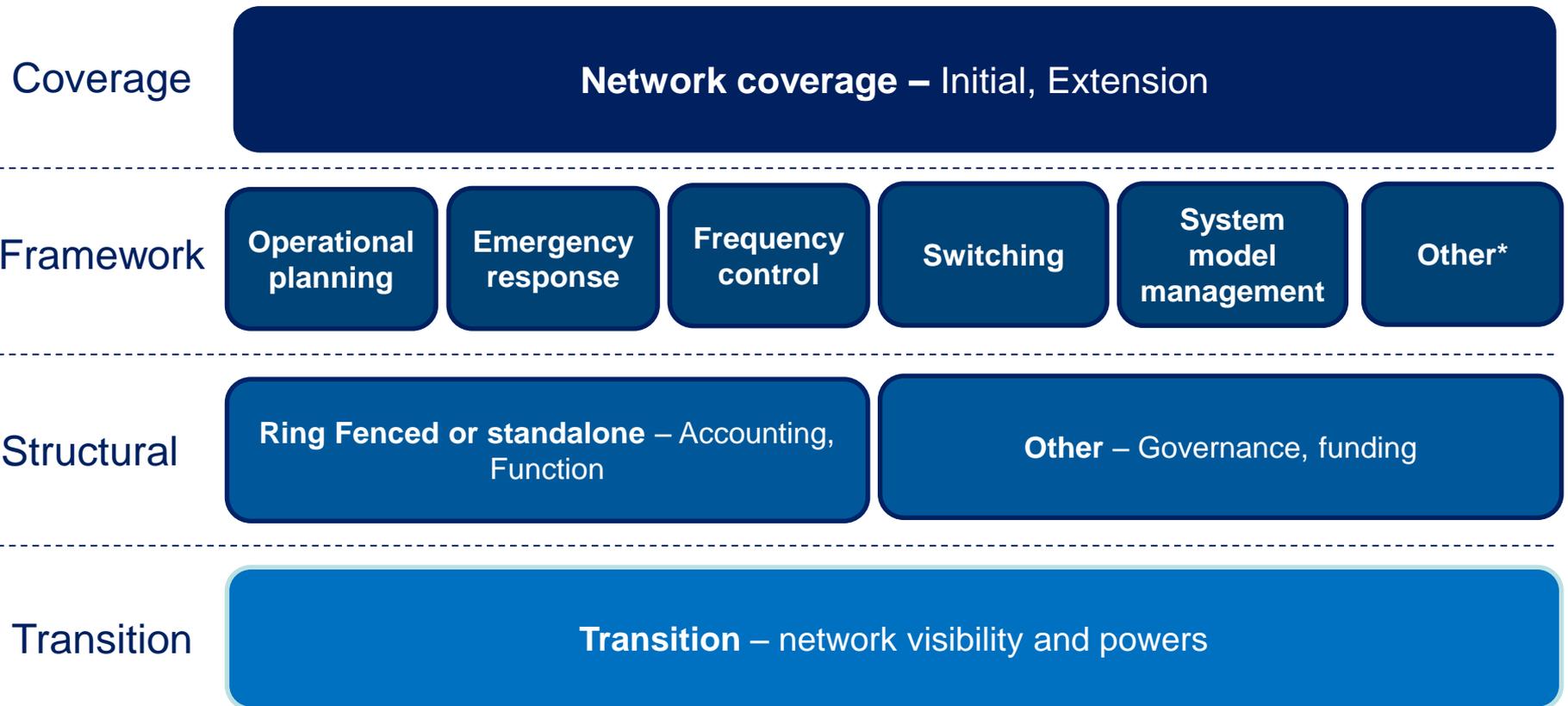
\* e.g. Management of: Technical Rules, access, all ancillary services, demand & energy forecasting, central network planning, pricing, reconciliation and settlements

# Design Process – Next Steps

## Opportunities for stakeholder input

# DESIGN PROCESS

**Stakeholder Meetings**

Ongoing adhoc engagement

**31 Oct**
Minister's Forum

**28-30 Nov 2017**
Stakeholder 1:1 Meetings

**11 Dec 2017**
Stakeholder Reference Group Forum

**Mid-Jan 2018**
Stakeholder Reference Group Forum

**(TBC)**
**End Feb 2018**
Stakeholder Reference Group Forum

| Oct | November | December | January | February | March |
|---|---|---|---|---|---|

**Project Milestones**

**14 Nov 2017**
Issues Paper Published

**4 Dec 2017**
Submissions due Issues Paper

**Mid-Jan 2018**
Design Paper Published

**Early Feb 2018**
Submissions due Design Paper

**30 Mar 2018**
Final Design Report

Consultation Period Issues Paper

Consultation Period Design Paper

*Thankyou*