



Ref:

9 March 2018

Mr Noel Ryan
Acting Director, Energy Networks
Public Utilities Office
Department of Treasury
Locked Bag 11
CLOISTERS SQUARE WA 6850

Dear Mr Ryan

RE: Design Paper: Regulatory reform in the North West Interconnected System

Thank you for the opportunity to comment on the Design Paper in relation to regulatory reforms in the North West Interconnected System (NWIS) published on 9 February 2018. This letter outlines a submission from ATCO.

ATCO supports, in principle, the proposed fit-for-purpose light handed regulatory regime and the independent system operator outlined in the Design Paper. Once implemented, these reforms should underpin further system investment and encourage the entry of new retail supply options for electricity consumers in the region. As a result, these reforms are clearly in the long term interest of consumers.

Consistent with ATCO's previous submission on these proposed reforms, we believe it is important that any regulatory changes in the North West Interconnected System should recognise and protect the commercial interests and priorities of privately-owned electricity network and generation assets. The regulatory reforms must also provide contractual and regulatory certainty by preserving contractual or other arrangements, particularly if proposed arrangements could impact the capacity or dispatchability of incumbent generators.

In this context, ATCO welcomes the proposal to grant 'unconstrained' network access to existing generators in the North West Interconnected System, noting that network access cannot be guaranteed and therefore 'unconstrained' actually means 'normally unconstrained', being defined by normal system operating conditions with a given level of reliability.

ATCO's interpretation of this proposal is that, unless otherwise directed by the Independent System Operator, we will continue to self-dispatch electricity generated in our existing Karratha Power Station to meet our contractual obligations to Horizon Power. Furthermore, we understand that the Independent System Operator will only issue dispatch directions to system participants in situations where the security, reliability and stability of the system is at risk. That is, we understand that the Independent System Operator will not, under the current proposal, be involved in the 'economic' dispatch of generation.

ATCO supports this approach as it recognises the integrity of our existing contractual arrangements and will minimise the potential establishment and running costs of the Independent System Operator.

ATCO Australia Services Pty Ltd

ABN 50 067 295 238



If you have any questions or would like to discuss any of these issues further, please contact me or Matthew Cronin, General Manager Regulation, ATCO Gas Australia.

Sincerely,

A handwritten signature in blue ink, appearing to read "J.D. Creaghan", written in a cursive style.

PP

J.D. Patrick Creaghan
Managing Director and Chief Operating Officer

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