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Public Utilities Office, Department of Treasury  
Locked Bag 11  
Cloisters Square, Perth  
Western Australia, 6850

**Attention: Mr Noel Ryan**

Dear Mr. Ryan:

### **Improving access to, and operation of, the Pilbara electricity network – Issues paper submission**

We refer to the design consultation paper titled “Regulatory framework for the Pilbara electricity networks” published by the Public Utilities Office, Department of Treasury on 9 February 2018 and presented on 21<sup>st</sup> February 2018 at a Stakeholder Forum.

TransAlta would like to thank the Public Utilities Office for the opportunity to comment on the considerations raised in the design consultation paper.

In business in Australia since the mid-1990s, TransAlta Energy Australia specializes in the provision of power to remote customers through the development of long-term strategic relationships. We supply power to large-scale mining and processing operations, to the Wholesale Electricity Market, and to customers in the NWIS in Western Australia. Most recently, we have placed a 150 MW combined cycle power station into operation in South Hedland.

#### **Access Framework**

Generally, TransAlta agrees with the access framework presented which includes commercial negotiation, followed by binding arbitration as the dispute resolution process. However, we consider that the commercial negotiation process would be better served by a more (rather than less) prescriptive set of guidelines by which access pricing is determined by the Transmission Facility Operator. If a clear set of principles was available to the arbitrator to decide consistency of application of the pricing methodology as well as the reasonableness of any offer made by the network owner it would go some way to ensuring consistency of rationale across those decisions. This is especially the situation where the network owner holds information not available to all participants and is consequently in a superior negotiating position. This would be more pronounced in circumstances in which the network owner is also competing to supply the contestable load such as would be the case with both Horizon Power and Alinta.

TransAlta is also supportive of the Economic Regulation Authority administering the binding arbitration regime as proposed in the design consultation paper. However, the arbitrator must have access to reasonable resources to make commercially valid decisions, in commercially realistic timeframes. The arbitrator's mandate should encompass the commercial reasonableness of the price and pricing methodology, not just the application of a pricing framework in a specific case.

Information disclosure should be designed having the purpose of the information in mind and should be fit for purpose, that is, it should not be just to gather information for information's sake. This could be administratively and technically onerous, with associated cost implications, for little benefit.

### **Transition**

TransAlta considers that the transitional arrangements should involve the stakeholder input, discussion and participation and should allow reasonable time to enable those participants sufficient time to implement changes properly. This will ensure the industry is set up for success.

Further, the steps for removal of the Alinta coverage application as this reform process becomes clear should be well defined in advance to prevent wasted effort and costs so far as reasonably possible. Horizon Power should be afforded the clarity needed to stop transition activities under the Alinta Coverage Decision as soon as possible, should the Minister decide to proceed with these reforms.

### **ISO proposal**

TransAlta is supportive of the AEMO taking on the role of Independent System Operator but a clear cost estimate for the transitional and ongoing costs should be disclosed to the industry.

Horizon Power operates under various subsidies and to the extent that its functions are transferred to AEMO (or others), a portion or all of the value of these subsidies should also be transferred, so that NWIS participants are kept whole and do not end up subsidizing those activities.

Yours truly,

**TransAlta Energy Australia Pty Ltd**



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