

Mr Noel Ryan
Acting Director Electricity Networks
Department of Treasury,
Public Utilities Office
LOCKED BAG 11,
Cloisters Square,
Perth WA 6850

Dear Noel,

City of Karratha submission - Improving access to, and operation of, the Pilbara electricity network - the North West Interconnected System

The City of Karratha has reviewed the document titled *"Improving access to, and operation of, the Pilbara electricity network – the North West Interconnected System (NWIS)"* and makes the following commentary/submission.

General Feedback

- The City of Karratha is a significant user of power within the North West electricity system. Our current annual power bill across all of our facilities and infrastructure exceeds \$3.2M.
Currently the City can only buy electricity from Horizon Power and has been an active supporter of the development of competition in the Pilbara power generation and distribution
- In recent years the City has been active in power initiatives including:
 - Installation of a 1MW solar power facility to service the Karratha Airport
 - Supporting the development of New Energy Corporation's proposed Waste to Energy facility.
 - Partnering in the delivery of the Pilbara Underground Power Project.
 - A range of energy minimisation projects at a variety of Council owned facilities.
- While the report discusses the NWIS, the scope and focus of the report is relatively narrow in that it primarily focusses on the coastal strip of the Pilbara rather than the Pilbara as a whole. If optimum value is to be obtained from power infrastructure throughout the Pilbara, the scope of discussions regarding NWIS needs to be expanded to include inland townships and mine sites. While moving in the right direction, the narrow emphasis that is currently placed on NWIS potentially limits the overall effectiveness of the future NWIS scheme as opportunity for holistic network planning are potentially lost. In particular, the opportunity for connecting large scale solar in the inland Pilbara is not canvassed.
- Stakeholder communication of the release of the Issues paper has been relatively narrow and seems to be focussed on the electricity generation suppliers. Broader consultation with major electricity users, network suppliers and power generators within the region should be canvassed.

Specific Feedback on Questions Raised

Q1. Would customers outside Horizon Power's network benefit from competition.

Yes. The City is advised that Local Governments in areas that have competitive power regimes are able to negotiate significantly better outcomes than what Local Governments in the Pilbara are able to do under the current Pilbara scheme.

Q2. Does the lack of coordinated approach to electricity infrastructure in the NWIS present a barrier to entry for juniors and renewable energy projects?

Yes. As a specific example, the Burrup Industrial Estate is under-developed due to a lack of coordinated power infrastructure. Within a very small footprint there are currently three separate power networks that operate – Woodside's own power generation and distribution network, the Horizon Power network servicing the port and industry area and Yara Fertiliser's power station. While these networks operate and have excess generation capacity, there is no current formal structure that allows a new entrant into the Burrup Estate to simply access the power networks. This is a significant barrier to development of a State significant industrial area.

Q3. Is there economic benefit to a consolidated approach to coordinating development of electricity assets in the NWIS?

Yes. Clearly electricity infrastructure has been developed in an inefficient manner within the Pilbara with substantial, underutilised infrastructure dotted throughout the district. A more coordinated approach to both supply and distribution would undoubtedly deliver more a more efficient, and therefore cheaper, electricity network.

Q6. What barriers do you see to increased competition in the NWIS.

There is already ample generation capacity in the NWIS, it is just poorly connected and distributed. Significant barriers to increasing competition include:

- Fairly compensating the various players for the substantial investments that they have made.
- Determining a fair governance and pricing structure for access to and maintenance of the network.
- A sense that private power generators (particularly mining companies) do not want to share their excess spinning capacity with the market as it potentially gives a junior miner a 'free kick.' The high cost of developing power infrastructure is effectively a barrier to entry for some junior miners.

Q10. What barriers do you see to the introduction of an independent system operator in the NWIS.

The City supports the introduction of an independent NWIS system operator. The key challenges will be how to get the variety of stakeholders (primarily independent power generators, mining companies and Horizon Power) to agree on a reasonable and fair framework for pricing that objectively compensates them for previous capital investments into their own infrastructure.

Q11. What operational and financial inefficiencies result from the current NWIS system operation model and could be addressed by introducing an independent system operator.

The lack of competition within the network means that major consumers (like the City of Karratha) are obliged to pay tariffs that are set by Horizon Power with little/no room for negotiation. For example, some of the City's larger community facilities are being charged

at the relatively high L4 tariff level. Our advice is that in areas where there is competition for supply of power, the tariffs being charged for community facilities tends to be lower.

Q36. Will a more formalised approach to outage management benefit electricity users.

Yes. Having said that, the City's experience is that there is currently an informal collegiate response to outage management, particularly after significant natural events such as fires and cyclones

Please contact me on 91868555 if you would like to discuss any aspect of this submission further.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Chris Adams', with a stylized flourish at the end.

Chris Adams
Chief Executive Officer

5 December 2017