

CONTRIBUTIONS POLICY

Alinta Energy

Effective to 30 June 2024

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PURPOSE

This is Alinta Duke Energy WA Power Pty Ltd's ("ADEWAP") Contributions Policy prepared in accordance with the Pilbara Network Access Code ("PNAC"), the Pilbara Network Rules ("PNR") and the Harmonised Technical Rules ("HTR"). Section 42(1) of the PNAC establishes the need for this document as follows:

41(1) The NSP of a light regulation network must ensure that the network development policy sets out:
(b) a contributions policy in accordance with section 41(2).

Section 41(2) further sets out the following requirements:

41(2) A contributions policy:
(a) must set out principles for:
(i) determining when the NSP may require a user to pay a contribution in respect of required work; and
(ii) determining the amount of any such contribution; and
(iii) determining how any contributions are to be accounted for when calculating reference tariffs; and
(iv) ensuring that there is no double recovery of costs as a result of any capital contributions associated with new facilities investment being included in the capital base;
(b) despite section 63(2) but otherwise subject to this Code including section 62(4), may contain a headworks scheme.

APPLIES TO

Applicants who have applied for or intend to apply for a new connection, or connection alteration to the ADEWAP Network (as defined by the System Description) under the ADEWAP User Access Guide ("UAG").

EFFECTIVE PERIOD

This Policy applies from 1 July 2021.

OTHER RELEVANT POLICIES

The Contributions Policy should be read in conjunction with the following:

1. The ADEWAP UAG;
2. The ADEWAO System Description;
3. The ADEWAP Queueing Policy; and
4. The ADEWAP Planning Standards.

CONFIDENTIALITY

ADEWAP respects the confidentiality associated with prospective network connections in accordance with s.72(5) of the PNAC.

INTRODUCTION

The PNAC, PNR and HTR establish the procedures and technical requirements for connection to and operation of the covered networks that make up the whole of the Pilbara networks, including the covered network of ADEWAP. Depending on the size, scope, timing and location of a new connection, network augmentation may be required to facilitate such connection.

Connection augmentations may be required for one of two reasons:

1. to ensure that a new connection complies with the specified access standards for connection to the network under the HTR and ADEWAP Planning Standards & Criteria; or

2. to provide sufficient power transfer capability to meet the new connection's requirements.

This Contributions Policy establishes the framework for determining the contributions payable to achieve a new connection.

A principle underlying new connections (or upgrades to existing connections) to a network is to provide applicants with the opportunity to form a connection to and have access to a network. The terms and conditions of that connection must be fair and reasonable and agreed between the NSP and the intending connection applicant.

The PNAC and the ADEWAP UAG contain a number of processes that a connection applicant and NSP must follow when a new connection, or the modification of an existing connection, is sought. The processes as developed by ADEWAP in accordance with these requirements is outlined in Figure 1.

Investment in network assets may be required if a new generating plant or load connects at network locations with insufficient power transfer capability. While it is appropriate for a connection applicant to face locational investment signals, particularly given that the network pricing arrangements do not provide adequate signals for new connections, it is also important that all prospective connections are treated equitably as far as possible.

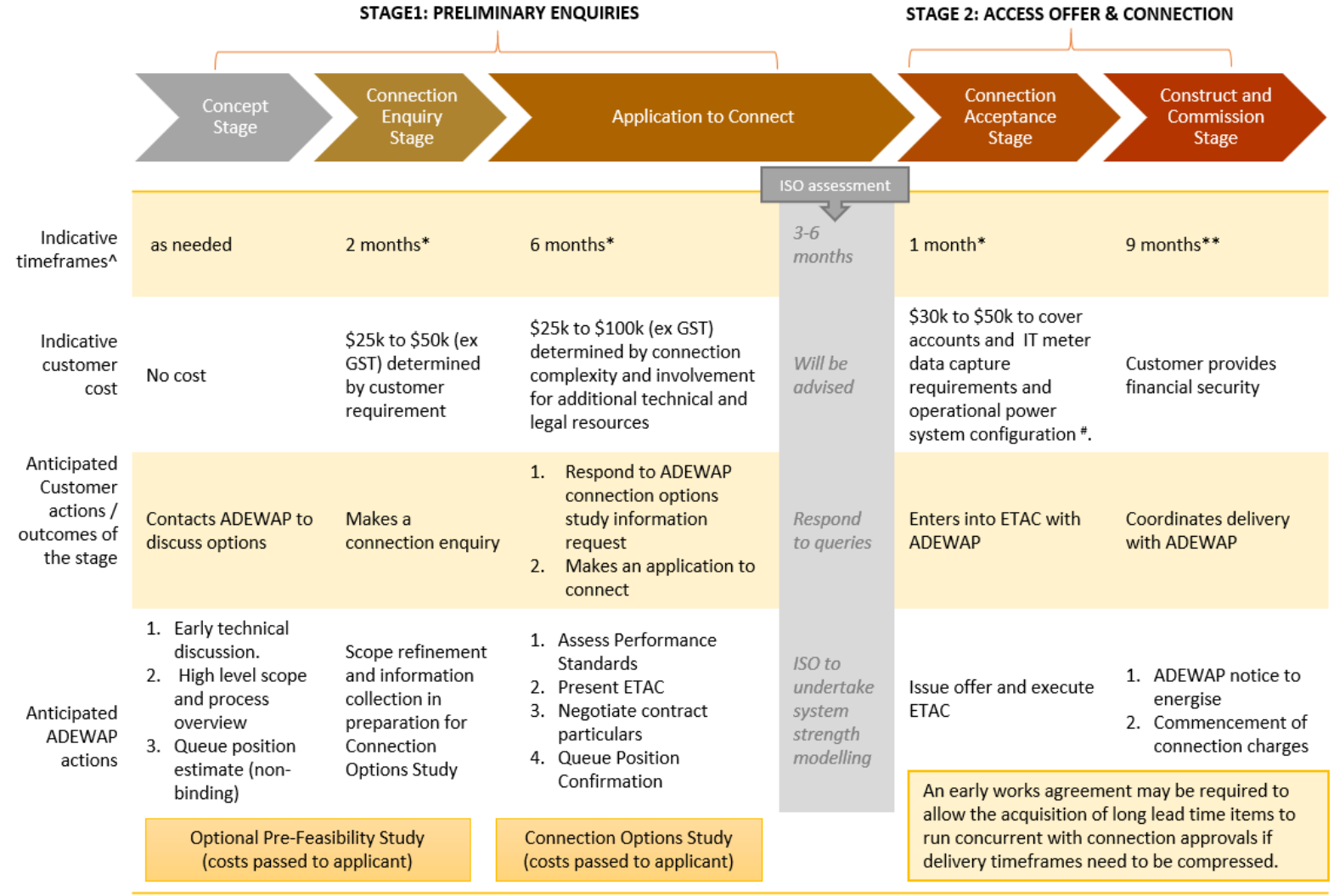
In this regard, questions arise as to whether it is appropriate for a new connection applicant to bear all augmentation costs.

Potential difficulties may occur where the performance of the network gradually approaches the limits of acceptable performance over time. In general, there are two alternative situations that may arise:

1. The network has adequate capability to accommodate a limited number of new connections without being degraded below the relevant access standards or network power transfer capability; or

2. The network is nearing its performance limit and a new connection will trigger the need for a network augmentation.

FIGURE 1: ADEWAP CONNECTION PROCESS OVERVIEW



^ Timeframes and costs are likely to be different to those indicated in his table if negotiations or approvals (e.g. land tenure, environmental, native title) are required.
* Timeframes assume that the Applicant has all required information (at hand and available), the performance of power system studies identify no electrical or network issues or complications and that minimal negotiation is required. Timeframes will vary in accordance with the ADEWAP Queueing Policy if multiple applicants are connecting.
** The complexity of connection works, EPC contractor selections and commissioning may result in increases to this timeframe.
# Major expenditure will be captured in early works agreements.

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A connection applicant must fund any augmentations necessary to enable its connection to meet an automatic, minimum or negotiated access standard. Such funding of the connection augmentation will not automatically provide that connection applicant with rights of access to the ADEWAP Network. Rights to access the ADEWAP Network will be determined based on the existing power transfer capability of the ADEWAP Network.

When an increase in the power transfer capability of the ADEWAP Network is requested by a connection application, ADEWAP, based on good engineering and operating practices, may elect to undertake a preliminary assessment as to whether an augmentation to achieve that increase in capability is likely to satisfy the PNAC s.55 regulatory test. This regulatory test determines whether the 'new facilities investment' satisfies the new facilities investment test, to ascertain that the associated expenditure is both prudent and justified. The connection applicant must fund any costs associated with the preliminary assessment.

If that pre-feasibility assessment indicates that the augmentation is:

a) reasonably likely to satisfy the regulatory test[1], ADEWAP may elect to proceed with an assessment of the augmentation against the regulatory test in accordance with the provisions of section 54 and 55 of the PNAC; or
b) unlikely to satisfy the regulatory test, the connection applicant will have the option of funding the augmentation.

Where the requirements of the regulatory test are satisfied, the costs required to give effect to the increase in the power transfer capability will be included within the ADEWAP Network's regulatory asset base. Such action will see that these costs are recoverable from all network users who derive benefit from to the increase in the power transfer capability. This occurs by recovering these costs through the ADEWAP Network Access Charges that are paid by ADEWAP network users.

On completion of a Connection Options Study, ADEWAP may (acting reasonably) conclude that broader market benefits could be achieved by undertaking additional augmentation works (over and above the augmentation necessary to enable connection of the applicant). Should this occur, ADEWAP may apply the regulatory test to the costs and market benefits of that incremental augmentation.

Where an incremental augmentation is constructed, which is comprised of works over and above the requirements of a connection applicant, the connection applicant will fund only the costs associated with the augmentation works that facilitate its connection.

In order to deliver a mutually beneficial commercial arrangement, ADEWAP may assist and permit the co-funding of an augmentation by two or more connection applicants. To do so, ADEWAP would require each connection applicant to consent to ADEWAP disclosing limited information regarding the intended location, size, scope and timing of its proposed new connection to the other connection applicant(s).

ADEWAP may receive two or more applications to connect to the ADEWP Network in a similar location within a similar timeframe (shared transmission network connection). Where this occurs, the co-funding of augmentation costs may be required to facilitate the connection of applicants in that location. ADEWAP will give applicants an opportunity to negotiate and agree on the allocation of augmentation costs where co-funded augmentation is required to facilitate multiple connections.

[1] See PNAC s. 54 and 55 for the regulatory test

Commencing from receipt of the connection application or (if later) when the scope of works and cost estimate for the augmentation has been determined, ADEWAP will offer a three-month negotiation period to agree the allocation proposal (refer ADEWAP Queueing Policy). If agreed by all parties, further applicants may join the proposed, shared transmission network connection during the negotiation period.

If applicants do not agree to participate within the negotiation process or if the negotiations fail for a shared transmission network connection, ADEWAP may make offers to connect applicants which include an ADEWAP-determined cost allocation methodology. This will be subject to all applicants' acceptance of the ADEWAP connection offer by a specified date. This ADEWAP cost allocation methodology may involve fixed portions (e.g. based on installed capacity) and variable portions (e.g. based on energy consumed).