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26 October 2021

Alinta Duke Energy WA Power Pty Ltd

By Email: NWISnetworkaccessenquiries@alintaenergy.com.au

Dear Sir/Madam

Submission on ADEWAP's PNAC Consultation Documents

Please find below Horizon Power's submission on Alinta Duke Energy WA Power Pty Ltd's PNAC Consultation Documents.

Should you have any questions in relation to this submission, please contact myself on (08) 6310 1848 or sandy.morgan@horizonpower.com.au.

Yours sincerely

Sandy Morgan

Manager Network Regulation & Open Access

HORIZON POWER

Item	Clause / section reference	Comment / Issue	Recommendation
System Description			
1	ADEWAP Port Hedland Assets	"*The Port Hedland Power Station's two sites of generation at Port Hedland and Boodarie sit around 5km apart, however they are configured, operate and are dispatched as a single power station*" The configuration and operation of generators connected to a covered network doesn't appear relevant in the context of this document which is focused on the network itself.	Clarify the context of the inclusion or remove reference to the configuration and operation of generators from this document.
2	ADEWAP Network Capacity	From a technical and operational perspective, Horizon Power queries the validity of ADEWAP stating "*no availability of firm network capacity capable of being contracted by new prospective users of the ADEWAP Network without user funded augmentation in accordance with the ADEWAP Contributions Policy available on the ADEWAP*".	Reframe the presentation of network capacity in the context of a constrained access regime and expected power flow directions.

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		From an operational perspective, network access contracts can be established purely for the purpose of supplying existing loads. Under such an arrangement, a network User may seek to connect a generator (with ISO approval), which would be exposed to the constrained access regime detailed in Subchapter 9.1 of the PNR. Under section 15(2) of the PNAC, ADEWAP would not have the right to refuse such a connection. Such a User could then seek to churn existing customers on the ADEWAP network hence utilising existing capacity currently utilised for existing arrangements. Under this arrangement it would not be appropriate to state that existing capacity cannot be utilised for "*new prospective Users*". From a technical perspective, counterflows to the current operational arrangements will actually increase the available capacity. As an example, should a retailer on the Horizon Power network procure a new customer on ADEWAP's network and seek to provide them power via the Horizon Power/ADEWAP interconnect, such flows would reduce the net flow through the interconnect (currently only consisting of ADEWAP supplying power into Horizon Power's network) hence freeing capacity.	

Item	Clause / section reference	Comment / Issue	Recommendation
Services and Pricing Policy			
1	Reference service	Only one reference service on offer. Alinta's ringfencing rules appear to indicate that there is no reference service associated with the connection points for its generators.	Horizon Power has previously commented on the apparent absence of a deemed associate arrangement between ADEWAP Generation and ADEWAP Network. If this matter is addressed, then ADEWAP will need an additional reference service for its generators for which the reference tariff is zero.
2	Reference service	It is unclear what connection points satisfy the requirements of Alinta's single reference service. It appears as if the reference service requires a User to have both an entry and exit point with the same capacities. One for injecting power and another for withdrawing. There are several scenarios however where an applicant may only seek a single connection point such as the connection of a generator for the ability to enter the ESS market (entry only) or a large load who chooses to manage their own network contract (exit only)	Consider including reference services for single connection points

Item	Clause / section reference	Comment / Issue	Recommendation
3	Target revenue	The building blocks for target revenue, as set out in section 47 of the PNAC, distinguish between the capital-related costs associated with the initial capital base and the capital-related costs associated with forecast new facilities investment. The target revenue formula in ADEWAP's services and pricing policy does not separately identify the return on, and depreciation of, the initial capital base and the return on, and depreciation of, forecast new facilities investment.	Amend the target revenue formula to separately identify the return on, and depreciation of, the initial capital base and the return on, and depreciation of, forecast new facilities investment.
4	Target revenue	The rate of return that has been used has not been specified in the document, nor the methodology for estimating it, and there is no indication as to how or when the document will be updated to incorporate the ERA's determination on the rate of return.	Amend the document accordingly.
5	Initial capital base	Capital additions - no information is provided on the forecast capital additions, including how they meet the new facilities investment test	Provide information on the forecast capital additions, including how they meet the new facilities investment test
6	Depreciation	Depreciation - it is assumed the weighted average remaining life has been used to calculate the depreciation on the capital base, rather than the weighted average life.	Amend the document accordingly.
7	Depreciation	The weighted average remaining lives of the assets in the initial capital base have not been provided.	Tabulate the weighted average remaining lives of the assets in the initial capital base by asset class.

Item	Clause / section reference	Comment / Issue	Recommendation
8	Non-capital costs and cost allocation principles	No explanation has been provided for the real increase in direct operating costs from FY22 to FY23.	Provide information on the real increase in direct operating costs from FY22 to FY23
9	Non-capital costs and cost allocation principles	It is not clear from the information provided what proportion of the operating costs (direct) have been directly attributed to the network business and what proportion are shared costs between the generation and network businesses and have been allocated to the network business.	Provide more detail on the operating costs (direct)
10	Non-capital costs and cost allocation principles	No justification has been provided for allocating 50% of IT & communication costs and marketing costs to the network business. The percentage does not appear to be fair and reasonable, particularly for marketing.	Provide justification for allocating 50% of IT & communication costs and marketing costs to the network business.
11	In-period target revenue adjustment methodology	No information has been provided on the methodology for allocating costs from the Alinta Energy parent entity to ADEWAP.	Provide information on the methodology for allocating costs from the Alinta Energy parent entity to ADEWAP.
12	In-period target revenue adjustment methodology	Section 49(2)(a) of the PNAC states that the target revenue may only be adjusted for a force majeure event where: (i) the NSP is unable to, or is unlikely to be able to recover some or all of the costs under its insurance policies; and (ii) at the time of the force majeure event, the NSP had insurance to the standard of a reasonable and prudent person.	Amend the document accordingly.

Item	Clause / section reference	Comment / Issue	Recommendation
		Alinta's services and pricing policy includes the first condition but not the second.	
13	Tariff setting methodology	Section 63(3) of the PNAC states that the revenue for each reference tariff must lie between the stand-alone cost and the avoidable costs. There is no evidence in the tariff setting methodology that this has been met.	Provide evidence that the revenue for the reference tariff lies between the stand-alone cost and avoidable costs.
14	Tariff Setting Methodology	The single reference tariff is derived from the target revenue and the nominal capacity of the network. It is possible to sell services in excess of the capability of the network when the services result in counter directional flows (i.e. the net sum of the flows continues to be within the capacity of the network). Refer to Horizon Power's comments above in relation to ADEWAP's claims that there is "*no availability of firm network capacity capable of being contracted by new prospective users"* for an example of this. It is very possible (likely) that basing tariffs on network capacity will lead to over recovery of the target revenue.	Consider amending the tariff-setting methodology.
15	ADEWAP prudent discount policy	Section 67(4) of the PNAC states that a tariff setting methodology must include a detailed policy setting out how the NSP will implement-- (a) if the NSP so chooses section 67(2); and (b) section 67(3).	Amend the document accordingly.

Item	Clause / section reference	Comment / Issue	Recommendation
		Alinta's tariff setting methodology addresses section 67(2) but not section 67(3).	
16	Price list	The price list provides no indication that it will need to be updated when the ERA determines the rate of return for the first pricing period.	Amend the document accordingly.
Template Access Contract / Sample ETAC			
1	Clause 1.1	The Reference Service Availability Standard has been defined as 0.98, which equates to up to 10,512 minutes per year when the service is not available. Horizon Power's applicable services standards are as set out in the Electricity Industry (Network and Reliability of Supply) Code 2005, which specifies average minutes off supply as 290 minutes per year. As a licenced transmission network operator Horizon Power expect that Alinta should also be subject to the Electricity Industry (Network and Reliability of Supply) Code 2005. This service availability does not appear to reflect Alinta's obligations under that Code. Further, the service level appears low when the System Description indicates that the planning standard is n-1.	Consider increasing the Reference Service Availability Standard to be in line with the requirements of the Electricity Industry (Network and Reliability of Supply) Code 2005
2	Clause 1.1	The definition of Authority is different to that in the Code and PNR, and could potentially be confusing, particularly because the rules definition is then used for "Authority fee".	Amend the document accordingly.



Item	Clause / section reference	Comment / Issue	Recommendation
3	Clause 4.7	Cost of annual testing of metering is a pass through amount. This is not specified in the Services and Pricing Policy	This needs to be specified in the Services and Pricing Policy
4	Clause 5.1	Clause 5.1 allows ADEWAP to curtail the provision of the Reference Service without liability to the User in certain circumstances, including under clause 5.1(h), which allows ADEWAP to carry out any planned Augmentation to the Network. While clause 5.3 provides that ADEWAP will use reasonable endeavours to notify the User under clause 5.1 as soon as practicable, prior notice should be given in respect of Augmentation.	Amend the document accordingly.
5	Clause 5.3	In circumstances of a Curtailment, the requirement to provide notice to the User should be absolute and immediately. Concepts of "reasonable endeavours" and "as soon as practicable" are not appropriate.	Amend the document accordingly.
6	Clause 8.1	Clause 8.1(d) allows ADEWAP to amend any aspect of a Maintenance Plan provided that ADEWAP uses reasonable endeavours to make any such amendments with at least 7 days prior Notice to the User. The concept of "reasonable endeavours" here is not appropriate. The giving of prior notice should be an absolute requirement.	Amend the document accordingly.

Item	Clause / section reference	Comment / Issue	Recommendation
7	Clause 11.3	The pass-through provisions are far-reaching and not consistent with section 49 of the PNAC or the Services and Pricing Policy, which sets out the materiality thresholds to apply to in-period adjustments to target revenue.	Amend the document accordingly.
8	Clause 11.5	The change event provisions are not consistent with section 49 of the PNAC or the Services and Pricing Policy, which sets out the materiality thresholds to apply to in-period adjustments to target revenue.	Amend the document accordingly.
9	Clause 12.3(a)(ii)	A User should not be required to pay any amount of a Tax Invoice that contains a Disputed portion. Under clause 12.3(b), the User is on risk for any Disputed portion, if the disputed amount is subsequently found to have been payable.	Amend the document accordingly.
10	Clause 12.3(b)	"*Without prejudice to ADEWAP's other rights, any amount withheld by User under clause 12.3(a) but subsequently found to have been payable, attracts interest calculated daily at the Prescribed Rate from the Due Date of the Tax Invoice until payment*." Such a provision should also exist for the 50% payment the User is obligated to make on the disputed amount.	If it is determined that the User should not have to pay the amount, Alinta should refund the amount with additional interest payments from the date the payment was made.

Item	Clause / section reference	Comment / Issue	Recommendation
11	Clauses 28.2(d) and 28.4	Under clause 28.4, ADEWAP's cure period, prior to a right to terminate accruing is 20 Business Days. Clause 28.2(d) in respect of the termination for User non financial default should be consistent with the 20 Business Day period in clause 28.4	Amend the document accordingly.
12	Clause 31.1(a)	The words "*and is reasonably likely to be commercially sensitive*" should be removed from definition of Confidential Information in respect of the User.	Amend the document accordingly.
13	Clause 31.5	Should the reference to Chapter 8 of the Code (which deals with ringfencing) also include Chapter 9 of the Code that deals with confidential information?	Amend the document accordingly.
14	Clause 34.3	These disputes should also have the option of being managed under the PNAC dispute regime. This agreement should not prevent an applicant for accessing this forum.	Include appropriate clauses similar to the PN Rules disputes to enable a User to utilise the PNAC dispute mechanism when disputes relate to coverage matters (such as tariff changes).
15	Clause 35.3	"*If User maintains, accesses, operates or controls ADEWAP's generation, transmission or distribution systems or associated ICT infrastructure, User must*:" This clause doesn't appear relevant for a template agreement. This should be restricted to Alinta's service providers only.	Remove this clause from the template agreement.

Item	Clause / section reference	Comment / Issue	Recommendation
Contributions Policy			
1	ADEWAP Policy (page 6)	The contributions policy notes: "*If that pre-feasibility assessment indicates that the augmentation is reasonably likely to satisfy the regulatory test, 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*" It appears unreasonable for ADEWAP to not commit to proceeding with the assessment at this point.	Redraft this section to state that ADEWAP "will" proceed with an assessment rather than "may elect to" proceed. If ADEWAP are concerned about payment for the assessment, then the document could outline this as a condition before proceeding.
Planning Standards			
1	N-1 Criterion	*"Following the loss of the transmission element, the power system must continue to operate in accordance with the power system performance standards specified in section 2.2 of the HTR,* ***except for the HPS-TIG 66kV Transmission Line Tee off that shall operate in accordance with the power system performance standard within 30mins of the loss of this interconnection****."*	Clarify in the document that only customers connected to HPS-TIG will experience a non-compliance with Section 2.2 of the HTR for up to 30 minutes. It is noted that the ADEWAP Network Operation text in the ADEWAP System Description reflects that these lines must be operated on a N-1 basis.

Item	Clause / section reference	Comment / Issue	Recommendation
		It is unclear what ADEWAP is stating in this section. Are ADEWAP stating that the system as a whole (including Horizon Power and Rio Tinto's networks) won't comply with the system performance standards specified in Section 2.2 of the HTR following loss of the HPS-TIG line for up to 30 minutes? Or is ADEWAP stating that customers connected to HPS-TIG will be the only parties to experience the Section 2.2 non-compliance for up to 30 minutes? The former of the two above scenarios is an unacceptable outcome to system security. The latter is a matter localised to Alinta's network and hence an issue to be resolved with Alinta's customers.	
User Access Guide			
1	Negotiation (page 2)	Section 42(2)(j) of the PNAC requires the User Access Guide to "describe the process … for requesting negotiations in relation to an access offer, including timelines". Horizon Power believes the User Access Guide does not comply with this section as it does not describe any negotiation process (including timelines).	Update the User Access Guide to reflect requirements of section 42(2)(j) of the PNAC.
2	Connection Process Overview (page 3)	This section states that the User Access Guide sets out the process for two types of access scenarios: 1. new connections; and	Update the User Access Guide to allow for a third category of access.

Item	Clause / section reference	Comment / Issue	Recommendation
		2. modification of an existing connection. There is a third type of access scenario where an access seeker may seek to establish an access contract (initially with no connection points) to enable customer transfer under the Electricity Industry (Customer Transfer) Code 2016.	

3	Figure 1: ADEWAP Connection Process Overview (page 4)
	
	Preliminary Enquiries (page 5)
	
	Connection Enquiry State (page 6)
	
	Application to Connect (page 6)
	
	Access Offer (page 8)
		The overview in Figure 1 indicates that an applicant must go through the Stage 1: preliminary enquiries (consisting of the Concept Stage and the Connection Enquiry Stage) prior to making an application to connect. This is further supported by various sections of the User Access Guide including:
		• under the heading "Preliminary Enquiries" (page 5) that *"… the two-stage connection process commences with the preliminary enquiry stage, outlined below."*
		• under the heading "Connection Enquiry State" (page 6) that *"The applicant progresses to the Connection Enquiry Stage following completion of the Concept Stage by confirming in writing its:*
		  ○ *decision to proceed to the Connection Enquiry Stage; and*
		  ○ *acceptance of the Connection Enquiry Stage fee that is advised during the Concept Stage."*
			Update the User Access Guide to reflect requirements of section 70(2) of the PNAC.

Item	Clause / section reference	Comment / Issue	Recommendation
		• under the heading "Connection Enquiry State" (page 6) that *"The applicant will be advised at the completion of the Connection Enquiry Stage. ADEWAP will send the applicant an Application to Connect."* • under the heading "Access Offer" (page 8) that *"We will issue you with an Access Offer within 1 month of completion of the preliminary enquiry stage of the ADEWAP two-stage connection process."* These sections conflict with section 70(2)(a) of the PNAC, which states that the NSP must <u>not</u> require an applicant to make preliminary enquiries before making an access application. Further, it appears that applicant must complete the Concept Stage prior to the Connection Enquiry Stage as the applicant must confirm in writing its decision to proceed to the Connection Enquiry Stage and accepts a fee advised during the Concept Stage.	
4	Figure 1: ADEWAP Connection Process Overview (page 4) Concept Stage (page 5)	The User Access Guide (under the heading "Concept Stage") states that *"…fee to progress to the Connection Enquiry Stage will range between $25,000 and $50,000 (ex GST) .."* However, Figure 1 indicates no fee during the "Concept Stage" but rather the $25k to $50k will be charged during the "Connection Enquiry Stage".	Update the User Access Guide to: • specify whether $25k to $50k will be charged in the Concept Stage or Connection Enquiry Stage. • meet the requirements of section 42(2)(e) of the PNAC.

Item	Clause / section reference	Comment / Issue	Recommendation
		Further, regardless of the stage during which the costs are incurred, Horizon Power does not consider that there are sufficient details to meet the requirements of section 42(2)(e) of the PNAC, which states that the User Access Guide must *"include the basis for determining how reasonable costs to be paid by the applicant in respect of preliminary enquires will be calculated."*	
5	Optional Pre-Feasibility Study (page 5)	It is not clear when the desktop assessment is done. There is a reference to "findings of the desktop assessment" under the heading "Preliminary Enquiries". However, this is the only reference to desktop assessment. Does the costs of the desktop study form part of the $25k to $50k (see above comment in item 4)?	Update the User Access Guide to provide additional details on the desktop assessment (including when this is done, costs and process).
6	Connection Enquiry State (page 6) Application to Connect (page 6)	The User Access Guide states: • *"ADEWAP will send the applicant an Application to Connect"* (under the heading "Connection Enquiry Stage"). Is this the Application to Connect Form as set out in Schedule 1? • "*The Application to Connect Stage commences when ADEWAP sends the applicant an ADEWAP Connection Application form (see Schedule 1: ADEWAP Connection Application).*" (under the heading "Application to Connect").	Update the User Access Guide to: • clarify the difference between "Application to Connect" and "ADEWAP Connection Application form". • remove requirement for ADEWAP to send applicant an application form. ADEWAP should provide an application form for the applicant to fill and complete (e.g. a link to a word or amendable pdf application form). • to reflect requirements of section 70(2) of the PNAC.

Item	Clause / section reference	Comment / Issue	Recommendation
		It is unclear why an applicant must wait for ADEWAP to send the form as the Applicant should be able to complete and send to ADEWAP the form in the format set out in Schedule 1.	
7	Application to Connect (page 6)	This section states *"ADEWAP will advise the applicant in writing of their place in the queue on receipt of a completed ADEWAP Connection Application form."* This implies that the applicant will enter the queue on submission of a completed application form. However, the Queuing Policy states *"upon lodging a formal a formal connection application and the payment of a deposit for undertaking the modelling works described below, an applicant will be advised by letter of:* *1. their position in the queue; and* *2. all other applications whose satisfaction, delay or progression might affect the timing or terms of access."* This is inconsistent with User Access Guide as it implies that the applicant will enter the queue when they lodge a connection application and payment of deposit (as opposed to just submitting a completed application form).	Update the User Access Guide and / or Queuing Policy to ensure consistency in approach and policy.
8	Connection Options Study (page 7)	This section appears to deal with both ADEWAP and ISO modelling. There are multiple references to independent third party that provides power system modelling of interconnected NWIS networks.	Update this section to only deal with ADEWAP modelling, its cost, information on the software model and model inputs.

Item	Clause / section reference	Comment / Issue	Recommendation
		This section should only deal with power system modelling to be undertaken by ADEWAP as this is separate to and distinct from the ISO power system modelling (which is dealt with under the heading "ISO Assessment and Modelling"). Additionally, the User Access Guide should provide the following in relation to ADEWAP modelling: • when this would be required; • software model & model inputs – specify requirements (e.g. PowerFactory & version number, extent of model input or parameter requirements, extent of generator/load data requirements); and • costs.	
9	ADEWAP and ISO Costs	The User Access Guide does not state that an applicant will be notified of any costs (including ISO) before they are incurred.	Insert a requirement for the applicant to be notified of any costs for their prior approval.
10	Access Offer (page 8)	This section states *"We will issue you with an Access Offer within 1 month of completion of the preliminary enquiry stage of the ADEWAP two-stage connection process."*	Update the User Access Guide to: • allow an applicant to submit the ADEWAP Connection Application form (as set out in Schedule 1) at any time; and



Item	Clause / section reference	Comment / Issue	Recommendation
		This is inconsistent with section 42(5) of the PNAC which requires the User Access Guide to provide a maximum timeframe in which the NSP is to give an access offer to the applicant after receipt of a completed access application. This timeframe should generally be no more than 30 or 60 business days (where further investigations are required).	• set a maximum timeframe by which ADEWAP will issue an access offer to the applicant which should generally be no more than 30 or 60 business days (where further investigations are required) of receipt of completed ADEWAP Connection Application form.
11	Connection Acceptance (page 8 and 9)	This section states *"A cost estimated to fall within the range of $30,000-$50,000 (ex GST) is payable by the applicant to finalise connection acceptance. This fee is charged to recover costs associated with account and invoicing setup, IT meter data capture and* ***operational power station configuration****, noting that any major cost items associated with connection works will be captured by the ADEWAP Contributions Policy or included within an early works agreement."* It is unclear why: • a network is charging an applicant for power station configuration works. Is this referring to ADEWAP configuring their own power station? Or a connecting generator performing HTR compliance tests? For new generators Horizon Power would expect this be captured under the construct and commission phase.	Update User Access Guide to: • remove reference to power station configuration from this section; and • breakdown any further costs to finalise connection acceptance ensuring it meets the requirements of section 42(2)(c) of the PNAC.

Item	Clause / section reference	Comment / Issue	Recommendation
		• applicant/user would be liable for such a substantial cost to finalise connection acceptance given that applicant/user will be liable for tariffs (under the access contract) and connection works (under separate agreement). This appears to be against the requirements of section 42(2)(c) of the PNAC, in that the interests of the user and the NSP are not balanced.	
12	Expedited process	Section 42(5) of the PNAC states *"A user access guide must facilitate an expedited process for processing access applications wherever possible, in particular where other users are not impacted by the access application."* The User Access Guide does not appear to contain such an expedited process.	Insert an expedited process for processing applications.
Queueing Policy			
1	Figure 1: ADEWAP Connection Process Overview (page 3) ADEWAP Policy (page 4)	1. It is understood that ADEWAP will reserve an applicant's place in a queue once an applicant: • lodges a formal connection application. However, the term "formal connection application" is not defined.	1. Revise the Queuing Policy to: • Define the terms "formal connection application" and "deposit"; and • specify that the deposit is only for ADEWEAP modelling charges; and • specify how the amount of the deposit for ADEWAP modelling works will be calculated and when it will be payable. This should be reflected in Figure 1: ADEWAP Connection Process Overview.

Item	Clause / section reference	Comment / Issue	Recommendation
		• pays the deposit (for undertaking the modelling works). It is unclear how the amount of the deposit for the modelling works will be calculated, when it will be payable and if this is only for ADEWAP modelling works (as opposed to ISO modelling, which should not be a queuing factor). 2. Horizon Power does not believe that Alinta's application process complies with Section 70(2) of the PNAC which prohibits a covered NSP implementing a mandatory enquiry phase. Alinta should give consideration to how effective such a queuing regime is should ADEWAP not be able to enforce an enquiry phase.	2. ADEWAP should consider how the proposed queuing mechanisms work without a mandatory enquiry phase.
2	ADEWAP Policy (page 4)	This section states *"….an applicant will be advised by letter of …… all other applications whose satisfaction, delay or progression might affect the timing or terms of access."* It is unclear what information (of the other applications) will be provided to the applicant (whose satisfaction, delay or progression might affect the timing or terms of access). Horizon Power notes that the definition of 'confidential information' under the PNAC is extremely wide and is concerned about ADEWAP disclosing confidential information about other applicants.	The Queuing Policy sets out a list of information (of the other applications) which will be provided to the applicant. ADEWAP obtains applicant's prior approval before disclosing their confidential information.