



Arrangements for continued power supply reliability in the North Country and Eastern Goldfields regions

Information Paper

3 September 2018

00492370

1. Introduction

A Dispatch Support Services contract between the Australian Energy Market Operator (**AEMO**) and Synergy in relation to Synergy's Mungarra and West Kalgoorlie gas turbine facilities was to expire on 1 July 2018.

The contract has been extended to 30 September 2018 to allow time for the development of alternative arrangements to manage power supply reliability issues that would otherwise emerge in the North Country and Eastern Goldfields regions of Western Power's network.

2. Background information

The current Dispatch Support Services contract between AEMO and Synergy was entered into when System Management functions were the responsibility of Western Power. On transfer of System Management functions to AEMO in 2015, the responsibility for the Dispatch Support Services contract also transferred to AEMO.

The contract is exercised by AEMO (as system manager) on an as needed basis to meet its obligations under the Wholesale Electricity Market Rules (**Market Rules**) to minimise involuntary load shedding and operate the power system within specified standards. The contract enables Synergy to recover costs incurred in providing these services.

Dispatch Support Services ensure power system voltage levels are maintained, and include other services required to support electricity system security and supply reliability not covered by Ancillary Services or Network Control Services. The Public Utilities Office understands that AEMO's position to not re-contract for Dispatch Support Services is based on a significantly reduced need for the services following transmission network upgrades in the Mid-West region in 2015.

The Synergy facilities subject to the Dispatch Support Services contract with AEMO include Mungarra gas turbine units 1, 2 and 3 (113 megawatts (MW)) in the North Country region and West Kalgoorlie gas turbine units 2 and 3 (62 MW) in the Eastern Goldfields region.

On 4 May 2017, the Minister for Energy confirmed the State Government's decision to reduce the generation capacity under Synergy's control by 436 MW through a Ministerial Direction (**Capacity Cap Ministerial Direction**). The generation facilities retired, and proposed to be retired, by Synergy in accordance with the Ministerial Direction included the Mungarra and West Kalgoorlie facilities subject to the Dispatch Support Services contract.

To address the potential impacts on power supply reliability issues that would emerge following the Synergy plant retirements and expiry of the Dispatch Support Services contract, during 2017 Western Power investigated the potential for a Network Control Service contract to manage these impacts, particularly in the event of transmission network outages.

A Network Control Service, a construct under the Market Rules, is provided by generation or demand side management resources, as a substitute for transmission or distribution network augmentation. The contract is between a Network Operator and a Market Participant.

The tender responses received by Western Power in respect of the potential Network Control Service arrangements were either uncommercial, or not compliant with specified service requirements.

As a contingency measure, Western Power also commenced negotiations with Synergy on a form of Network Control Services contract to provide continued services to support power supply reliability to the North Country and Eastern Goldfields regions. Continued use of the requisite Synergy facilities would require a temporary exemption under the Capacity Cap Ministerial Direction.

3. Current situation

In May 2018, Western Power determined that reliability obligations under the Technical Rules would continue to be met without a Network Control Service for the North Country and Eastern Goldfields regions, potentially exposing these areas to adverse power supply reliability impacts during network outages.

The Public Utilities Office, in collaboration with Western Power, AEMO and Synergy, has determined that a Network Control Services contract is the most appropriate arrangement to mitigate adverse reliability impacts in these regions. The Public Utilities Office applied the following considerations in making this determination:

- A Network Control Service contract would be better aligned with the intent of the Capacity Cap Ministerial Direction, as under such a contract the Mungarra and West Kalgoorlie facilities would only be dispatched for network reliability purposes.
- A Network Control Service contract is more achievable in the available timeframe, when compared to a new Dispatch Support Service contract, because of the requirement under the Market Rules for AEMO to seek Economic Regulation Authority approval of a new Dispatch Support Service contract.
- Regulatory incentives or requirements do not currently exist for Western Power to make alternative arrangements to maintain the level of power supply reliability currently provided by the Dispatch Support Service contract.

- This matter, and other related issues, are to be addressed under the current network and Wholesale Electricity Market reform program. Any interim arrangements to manage supply reliability issues should therefore remain closely aligned with the reform pathway. A Network Control Service contract would better achieve this intent than an extended or new Dispatch Support Service contract.

4. Regulatory solution and supporting arrangements

The following actions are now underway to implement the alternative arrangements for continued power supply reliability in the North Country and Eastern Goldfields regions:

- Western Power and Synergy are negotiating the terms of five-year Network Control Service contracts for the Mungarra and West Kalgoorlie generation facilities.
 - Procedures are being put in place to ensure the facilities are only entitled to network access for dispatch as required to support power supply reliability during network outages.
 - The network access arrangement will ensure the facilities no longer participate in the Wholesale Electricity Market. AEMO has also confirmed with the Public Utilities Office that the arrangement would preclude the facilities from receiving capacity certification.
 - When the facilities are dispatched under the Network Control Service contract at the direction of Western Power, the amount AEMO pays for dispatch under clause 5.9.3(d) of the Market Rules will be offset against the amount paid under the Network Control Service contract.
- The Minister for Energy will issue a time-limited exemption notice, pursuant to clause 5 of the Capacity Cap Ministerial Direction, to allow the Synergy facilities subject to the Network Control Service contracts to continue to operate for power supply reliability purposes.
- The Public Utilities Office has prepared draft amendments to the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005* to obligate Western Power to make arrangements to meet a temporary reliability standard in the North Country and Eastern Goldfields regions.
 - These regulatory amendments will enable Western Power to seek ERA approval for cost recovery of expenditure on the Network Control Service contracts through its access arrangement.

5. Request for stakeholder input

The Public Utilities Office is seeking stakeholder comments on any drafting errors in the proposed amendments to the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005* (as attached).

Please email your responses by 2.00 pm (WST) on 10 September 2018 to Aditi.Varma@treasury.wa.gov.au. Any enquiries on this matter should be directed to Aditi Varma, Manager – Wholesale Energy Markets on (08) 6551 4756.

Disclaimer

© State of Western Australia.

The information, representations and statements contained in this paper have been prepared by the Department of Treasury, Public Utilities Office. The paper is provided to assist in obtaining comment on any drafting errors in the proposed amendments to the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*.

Any views expressed in this publication are not necessarily the views of the State of Western Australia, the Western Australian Government (including the Minister for Energy), nor do they reflect any interim, firm or final position adopted by the Government in connection with the issues relevant to power supply reliability issues in the North Country and Eastern Goldfields regions of Western Power's network.

The State of Western Australia, the Minister for Energy, the Department of Treasury, and their respective officers, employees and agents:

- (a) make no representation or warranty as to the accuracy, reliability, completeness or currency of the information, representations or statements in this paper (including, but not limited to, information which has been provided by third parties); and
- (b) shall not be liable, in negligence or otherwise, to any person for any loss, liability or damage arising out of any act or failure by any person in using or relying on any information, representation or statement contained in this paper.

ELECTRICITY INDUSTRY ACT 2004

Electricity Industry (Network Quality and Reliability of Supply) Amendment Code 2018

Made by the Minister under section 39(2a)(a) of the Act.

1. Citation

This code is the *Electricity Industry (Network Quality and Reliability of Supply) Amendment Code 2018*.

2. Commencement

This code comes into operation on the day on 1 October 2018.

3. Code amended

This code amends the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*.

4. Section 3 amended

- (1) In section 3(1) after the definition of *distributor* insert:

Eastern Goldfields means the area supplied with electricity by —

- (a) the West Kalgoorlie Terminal 11kV feeders;
- (b) the West Kalgoorlie Terminal 640 Coolgardie 33kV feeder;
and
- (c) the Piccadilly substation 11 kV feeders,
operated by the Electricity Networks Corporation, being principally
the townships of Kalgoorlie-Boulder and Coolgardie.

- (2) In section 3(1) after the definition of *network* insert:

North Country means the area supplied with electricity by —

- (a) the Rangeway substation 11kV feeders;
- (b) the Durlacher substation 11kV feeders; and
- (c) the Chapman substation 11kV feeders,
operated by the Electricity Networks Corporation, being principally
the township of Geraldton and its surrounds.

5. Division 3A inserted

After Division 3 insert:

Division 3A— Temporary reliability standards for supply to particular areas

13A. Temporary reliability standards for Eastern Goldfields and North Country

- (1) The reliability standards in this Division apply during the period beginning on 1 October 2018 and ending on 30 September 2023.
- (2) In this Division —
essential services includes, but are not necessarily limited to, services such as hospitals and railways where the maintenance of a supply of electricity is necessary for the maintenance of public health, order and safety.

13B. Temporary reliability standards for supply to Eastern Goldfields

- (1) Electricity Networks Corporation must, so far as is reasonably practicable, have in place arrangements to —
 - (a) restore and maintain at least 45MW of supply to essential services loads and the majority of small use customers in the Eastern Goldfields as soon as is reasonably practicable following the occurrence of an unplanned outage of a transmission element supplying the Eastern Goldfields; and
 - (b) maintain at least 45MW of supply to essential services loads and the majority of small use customers in the Eastern Goldfields during the occurrence of a planned outage of a transmission element supplying the Eastern Goldfields.

13C. Temporary reliability standards for supply to North Country

- (1) Electricity Networks Corporation must, so far as is reasonably practicable, have in place arrangements to —
 - (a) restore and maintain at least 50MW of supply to essential services loads and the majority of small use customers in the North Country as soon as reasonably practicable following the occurrence of an unplanned outage of a transmission element supplying the North Country; and
 - (b) maintain at least 50MW of supply to essential services loads and a majority of small use customers in the North Country during a planned outage of a transmission element supplying the North Country.

BEN WYATT, Minister for Energy.
