



Minutes

Meeting Title:	Evolution of the Pilbara Network Rules (EPNR) Working Group
Date:	22 August 2024
Time:	9:30 AM – 11:30 AM
Location:	Online, via TEAMS

Attendees	Company	Comment
Dora Guzeleva	Chair, Energy Policy WA	
Anthony Ravi	APA	
Rebecca Mason	APA	
Nathan Kirby	BHP	
Aditi Varma	BP	
Lekshmi Jaya Mohan	BP	
Anthony Guevarra	CITIC Pacific Mining	
Melinda Anderson	Economic Regulation Authority	
Guy Tan	Horizon Power – Pilbara Network	
Herman Prinsloo	Horizon Power – Pilbara Network	
Jaden Williamson	Horizon Power – Pilbara Network	
Sandy Morgan	Horizon Power – Pilbara Network	
James Campbell-Everden	ISOCo	
Reece Tonkin	Woodside Energy	
Rudi Strobel	Yindjibarndi Energy Corporation	
Laura Koziol	Energy Policy WA	
Thomas Tedeschi	Energy Policy WA	
Tom Coates	Energy Policy WA	
Ajith Viswanath Sreenivasan	RBP	
Eija Samson	RBP	
James Seidelin	RBP	
Tim Robinson	RBP	

Item	Subject	Action
1	<p>Welcome and Agenda</p> <p>The Chair opened the meeting with an Acknowledgement of Country.</p> <p>The Chair noted the Competition Law Statement, reminded members of their obligations and encouraged them to bring any Competition Law issues to her attention as they may arise.</p>	
2	<p>Meeting Attendance</p> <p>The Chair noted the attendance as listed above.</p>	
3	<p>Action Items</p> <p>The Chair acknowledged the list of Action Items included in the meeting papers and the updates on each.</p> <p>Regarding Item 5/2024, the Chair noted that the plan was for the EPNR to build on the outcome of the ISO's review.</p>	
4	<p>Updated modelling results</p> <p>Mr Robinson updated the group on the finalised modeling results, including scenario two outputs and the completion of the sensitivity analysis.</p> <p>Mr Robinson noted that the overall findings previously discussed with the group remain consistent and that comprehensive results are provided in Appendix A of the meeting slides (slides 38 to 70).</p>	
5	<p>Prioritisation of EPNR Initiatives</p> <p>Mr Robinson presented slides 5 to 16, summarised the list of initiatives discussed at the previous meeting and outlined the prioritisation criteria EPWA is using to guide the selection of initiatives for the remaining working group meetings prior to the publication of a consultation paper in December 2024.</p> <p>Mr Robinson noted that, following the discussion at the previous EPNR Working Group meeting, a new initiative 'registration constructs – definition of NSP' had been added to the list.</p> <ul style="list-style-type: none"> Mr Williamson agreed with the description of the new initiative. He pointed out that, while it is clear when NSPs report to the ISO, other participants with facilities such as generators, loads or storage have currently only limited interactions with the ISO. <p>Mr Robinson summarised the updated prioritisation of the initiatives based on the prioritisation criteria.</p> <ul style="list-style-type: none"> Ms Varma indicated that some prioritisation criteria reflect logistical considerations (e.g. activities being progressed elsewhere or are time sensitive), while others relate to policy considerations (e.g. system security, emissions reductions). She suggested considering the application of different weight to each criterion. <p>Mr Robinson responded that, since all initiatives must be addressed in the Consultation Paper, adding more sophisticated weighting to the prioritisation criteria was unlikely to result in different priorities.</p> <p>In response to a question from Ms Morgan, the Chair clarified that work undertaken by workstream two of the EPNR Working Group was reflected under "other activity".</p> <p>Mr Robinson highlighted the following changes to the prioritisation of EPNR initiatives:</p> <ul style="list-style-type: none"> Definitions, procurement and cost allocation of Essential System Services (ESS) will be prioritised and discussed at the next workstream meeting in October. This is because, although initially a low priority due to potential overlap with the ISO's 	

Item	Subject	Action
	<p>review, the importance of potential changes in ESS warrants further consideration in this workstream.</p> <ul style="list-style-type: none"> Responsibility for setting system strength requirements will no longer be discussed in the PNR Workstream and will only be consulted on in the consultation paper. Outage planning will be covered in the consultation paper and will build upon the ISO's review. The process for new transmission build, including transmission pricing and constrained access, is discussed as part of EPWA's work on the Pilbara Energy Transition Plan (PETP). <p>In response to a question from Ms Morgan, Mr Robinson clarified that 'responsibility for setting system strength requirements' would be considered as part of the consideration of the broader initiative 'NSP to NSP connection arrangements'. It was listed separately because it had been identified as a specific issue in the HTR work stream.</p> <ul style="list-style-type: none"> Ms Mason emphasised the importance of outage planning and suggested that it is considered earlier in this review, despite it being partially covered by the ISO review of Subchapters 7.3 and 7.4. She noted that, while the ISO review focuses on incremental improvements to the current arrangement, the EPNR Project has a broader scope to consider a future outage planning arrangement that is fit-for-purpose in the context of power system security and reliability. <p>The Chair agreed that outage planning was important, noting that it is an integral part of discussions on the evolving role and resourcing of the ISO. She reiterated that EPWA is consulting with the ISO on its review and suggested revisiting this issue after the ISO's draft decision is published in September.</p> <p>Mr Robinson noted the expanded list of topics for discussion before the publication of the consultation paper. He raised the possibility of scheduling an additional meeting in November but suggested to wait until after the October meeting.</p> <p>The EPNR Working Group raised no concerns about the proposed prioritisation and staging of discussions on the initiatives.</p>	

6 Reliability standard and supply adequacy

Mr Robinson presented the identified options to introduce a reliability standard for the Pilbara networks (slides 18 to 25).

- Mr Tonkin noted that, in future, the NWIS is expected to connect currently islanded facilities with embedded generation. He asked how demand certification options would account for this reality.

Mr Robinson noted that embedded generation could either be certified in the same way as directly connected generation or it could be assessed as part of the load. He emphasised that, regardless of method, it was prudent to preserve the existing ability for facilities to service their own load with generation behind the meter.

- Mr Tonkin highlighted the bilateral nature of maintaining system reliability in the Pilbara and that any adequacy margin set unilaterally should account for the embedded generation to reduce costs for everyone.

The Chair reiterated that reforms should not disrupt the ability of parties to cover their own load through embedded generation or bilateral contracts. She noted that unnecessary complexity should be avoided when designing the new regime to reduce costs.

- Mr Tonkin suggested that thermal generation should be assessed based on its maximum output under expected peak conditions, rather than on nameplate capacity.
-

Item	Subject	Action
	<p>The Chair agreed and confirmed that the next iteration of materials would be updated to reflect Mr Tonkin’s suggestion.</p> <ul style="list-style-type: none"> Mr Tonkin noted that the capacity procurement mentioned on slide 25 should be consistent with supporting lowest cost to the users. Mr Ravi agreed with Mr Tonkin and noted that any investment in generation would be driven by economic considerations. He questioned how the capacity procurement would incentivise investment. <p>The Chair suggested that the terminology of ‘capacity adequacy’ should replace use of the term ‘capacity procurement’ in this review.</p> <p>The Chair added that the goal is to ensure that load in the Pilbara can continue to be served reliably and securely as the amount of intermittent generation grows. She emphasised that this did not mean implementing a centralised capacity mechanism like in the WEM, but that there should be a mechanism to secure system adequacy. This could be achieved through financial incentives for new entry or by ensuring everybody covers their load with sufficient capacity. She noted that the current PNR (while the relevant parts are suspended) already provide for a central planning role for the ISO and requirements for participants to cover their own load plus a margin. The Chair added that there needs to be a mechanism that would ensure sufficient capacity is procured and the costs are recovered from a participant that does not manage to demonstrate that it has acquired sufficient capacity to cover its own load.</p> <ul style="list-style-type: none"> Mr Williamson referred to the proposal on slide 23 for assessing the reliability of intermittent generation using a probabilistic method based on Effective Load Carrying Capacity (ELCC). He noted that the approach takes into account transmission constraints while this was not accounted for in the assessment for scheduled generation. He considered that network constraints should be reflected consistently for certification across all technology types. <p>Mr Robinson acknowledged Mr Williamson’s point.</p> <ul style="list-style-type: none"> Mr Williamson commented on slide 25. He warned that the current (deactivated) provisions in the PNR requiring participants to acquire sufficient supply to meet their own demand could lead to inefficient investment as a party may choose to withhold spare capacity or build excess capacity, instead of contracting with a competitor. He suggested a ‘relieve mechanism’ such as an ISO administered price mechanism to cover capacity shortfalls and avoid this inefficiency, particularly given the high number of parties likely to join the Pilbara system in the future. <p>The Chair agreed that the Pilbara system will likely need a mechanism for capacity procurement that includes an administered element to incentivise sufficient capacity.</p> <p>The Chair emphasised that such a mechanism would become more important as more renewables enter the system, potentially leading to periods of insufficient intermittent generation to service load and a need for more firming capacity. She added that this may be more profound in the Pilbara than in the WEM, because of the relatively flat load duration curve in the Pilbara.</p> <ul style="list-style-type: none"> Mr Tonkin inquired if slide 24 was proposing an ELCC value to be determined on a trading interval basis. <p>Mr Robinson confirmed that it was and stated that a simple draft proposal on the matter would be prepared for discussion at the next workstream meeting.</p>	
	<p>ACTION: Revise terminology to replace reference to ‘nameplate capacity’ and ‘capacity procurement’ to align with members’ feedback and better reflect the NWIS context.</p>	<p>EPWA</p>

Item	Subject	Action
7	<p data-bbox="300 264 531 293">Balancing service</p> <p data-bbox="300 315 1321 432">Mr Robinson presented an outline of the current balancing mechanism in the Pilbara and how it could be changed to adjust to the future needs of the Pilbara system, discussing procurement, cost recovery and other design parameters, with references to slides 27 to 30.</p> <ul data-bbox="300 454 1321 633" style="list-style-type: none"> <li data-bbox="300 454 1321 633">• Mr Williamson noted that while parties currently conduct their own forecasting, no quantity forecasts are submitted to the ISO, only the location of the meters. He noted that implementing a balancing service would require incremental changes to the existing process under the PNR and recommended that EPWA consider timing and thresholds for initiating these changes when developing its model for the proposed balancing service. <p data-bbox="300 656 1321 772">Mr Robinson asked the working group members to advise EPWA as soon as possible of their considerations or concerns with any aspects to the balancing mechanism. He confirmed that EPWA aimed to develop a more concrete approach to present to the workstream for consideration at its next meeting.</p> <ul data-bbox="300 795 1321 947" style="list-style-type: none"> <li data-bbox="300 795 1321 947">• Ms Varma observed that the proposed balancing mechanism, at a high level ,seems similar to the Short-Term Energy Market (STEM) in the WEM. She asked whether an intermittent generation component would still need to be separately declared, if it was fully contracted, or if this requirement would only apply to firmed capacity. <p data-bbox="300 969 1321 1048">Mr Robinson responded that a balancing service in the NWIS would work closer to the time of dispatch than the STEM which is a day ahead market to adjust bilateral contract positions.'</p> <p data-bbox="300 1070 1321 1126">The Chair emphasised that the design was still to be fully developed and noted that balancing could also be delivered by a dedicated portfolio.</p> <ul data-bbox="300 1149 1321 1205" style="list-style-type: none"> <li data-bbox="300 1149 1321 1205">• Ms Varma further considered that the design of a balancing/dispatch mechanism may also depend on what is developed for capacity certification and procurement. 	
8	<p data-bbox="300 1234 592 1263">Governance of the ISO</p> <p data-bbox="300 1285 1321 1402">Mr Robinson summarised the evolution of other electricity systems from vertically integrated, to industry self-governance, to independent governance. He presented various options for strengthening the independence of the ISO board composition, referencing slides 32 to 33.</p> <p data-bbox="300 1424 1321 1503">The Chair reiterated the importance of reviewing the governance arrangements of the ISO and invited members to provide feedback in this public forum or through bilateral engagement with EPWA.</p>	
9	<p data-bbox="300 1541 443 1570">Next Steps</p> <p data-bbox="300 1592 1321 1648">Mr Robinson provided a summary of the key discussion points from the meeting, which will be included in the update to the Pilbara Advisory Committee:</p> <ul data-bbox="300 1671 1321 1951" style="list-style-type: none"> <li data-bbox="300 1671 1321 1749">• Initiatives and prioritisation: Members generally agreed with the list of initiatives and their prioritisation but encouraged outage planning to be discussed in November. <li data-bbox="300 1771 1321 1850">• Reliability standard and the approach to capacity certification: There was a productive discussion on the reliability standard and capacity certification, with members reasonably comfortable with centralised forecasting and certification. <li data-bbox="300 1872 1321 1951">• Procurement preferences: Members did not express a preference for centralised or decentralised procurement, but considered that it is important to have a party with the obligation to respond in the event of a shortfall. 	

Item	Subject	Action
	<ul style="list-style-type: none"> Balancing mechanism: Members suggested that EPWA considers appropriate timing for introducing a balancing mechanism, linking its introduction to specific triggers as more renewables are integrated into the system. 	
	<p>The Chair confirmed that the plan is to publish a consultation paper in December well before Christmas, with the consultation period extending into early to mid-February to account for the holiday period.</p>	
	<ul style="list-style-type: none"> Ms Morgan asked if the consultation paper will provide implementation costs and benefits. 	
	<p>Mr Robinson answered that the consultation paper would present arguments for changes to the Pilbara Network Rules, including options considered and the rationale for the proposals. He suggested that where options are presented, implementation cost and timing will be estimated, but cautioned that these would be ballpark estimates.</p>	
	<p>The Chair added that the primary purpose of the consultation paper is to present a conceptual design, with further implementation details presented in an Implementation Plan in Q1 2025.</p>	
	<ul style="list-style-type: none"> Mr Tonkin asked if the consultation paper would outline time constraints for the Pilbara system's evolution to support timely future investment. He considered that the Consultation Paper should articulate the assumed logic to support the decarbonisation timeline. 	
	<p>Mr Robinson noted that dates, sequencing, scope and timing would be detailed and discussed in the Implementation Plan. He acknowledged that a key focus of the Implementation Plan will be determining what rules must be in place, and when, to enable investment in new transmission, generation and storage.</p>	
	<p>The Chair invited members to provide further feedback on today's discussion via email and requested that these are provided within the next week or two to support the team in refining options and developing proposals on these topics for the next working group meeting on 24 October 2024.</p>	
	<p>The Chair noted that a summary of the discussion at today's meeting would be included in the meeting papers for the PAC meeting on 29 August 2024. She advised that EPWA would circulate a copy of the PAC meeting materials to this group concurrently and requested that working group members (where applicable) brief their organisation's PAC representative on the EPNRWG progress in advance of the PAC meeting.</p>	
	<p>The Chair closed the meeting.</p>	

The meeting closed at 11:30 am.