



Minutes

Meeting Title:	Evolution of the Pilbara Network Rules (EPNR) Working Group
Date:	24 October 2024
Time:	9:30 AM – 11:30 AM
Location:	Online, via TEAMS

Attendees	Company	Comment
Dora Guzeleva	Chair, Energy Policy WA	
Rebecca White	BHP	
Lekshmi Jaya Mohan	BP	
Herman Prinsloo	Horizon Power (Pilbara Network)	
Jaden Williamson	Horizon Power (Pilbara Network)	
Jason Chanlongsirich	Horizon Power (Pilbara Network)	Proxy for Sandy Morgan
Rebecca Mason	APA	
Summa McMahon	ISOCco	
Nenad Ninkov	Woodside Energy	Proxy for Reece Tonkin
Kathryn Barrie	Energy Policy WA	Presenter – Item 5
Matt Bowen	Energy Policy WA	Presenter – Item 5
Tom Coates	Energy Policy WA	
Laura Koziol	Energy Policy WA	
Luke Commins	Energy Policy WA	
Ajith Viswanath Sreenivasan	RBP	
Eija Samson	RBP	
James Seidelin	RBP	
Tim Robinson	RBP	

Item	Subject
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>Minutes of Meeting 2024_08_28</p> <p>The Chair confirmed the previous Minutes were approved out-of-session and published on the EPWA website.</p>
4	<p>Action Items</p> <p>The Chair noted EPWA's ongoing discussions and coordination with the ISO on Subchapters 7.3 and 7.4 review. She acknowledged Items 6 and 7 were marked complete per the meeting papers.</p>
5	<p>Changes to the PNR arising from the Pilbara Energy Transition Project</p> <p>The Chair welcomed Ms Kathryn Barrie and Mr Matthew Bowen to provide an update on the broader Pilbara Energy Transition (PET) Plan.</p> <p>Ms Barrie summarised EPWA's review of the PNAC and certain provisions of the PNR under the PET Plan, referencing slides 5-6. She identified six areas of potential overlap between the PNAC and the PNR reviews, as shown on slide 7. Key issues discussed included:</p> <ul style="list-style-type: none"> • Proposed changes to the PNAC to manage vertical integration, review ringfencing arrangements and transfer information-sharing functions to the ISO. • Proposed amendments to Chapter 9 of the PNR to balance constrained access with prioritising reliability for foundation users. • Suggested updates to Chapter 10 of the PNR to incorporate a "CorridorCo" concept and establish initial contract-based regulation for early projects, with a transition to full regulation after the reforms are in place. • Ms Mason asked about the timeframes for these changes. <p>Ms Barrie indicated that the aim is to align these proposals and consultation timeframes with the EPNR Consultation Paper.</p> <p>The Chair reiterated the intention for the Draft Consultation Paper to be shared with the PAC at its meeting on 5 December 2024. She outlined the expectation for publication in mid-December, with the feedback period extending until end of February.</p> <p>Ms Barrie added that the PNAC reforms will involve a second consultation process later in 2025.</p>
6	<p>PNR Workstream Work Program</p> <p>The Chair outlined the timeframe for the remaining steps in the consultation process, noting the potential impacts of the upcoming State Elections on this schedule. She reiterated that the proposals presented were not final solutions but were shared to gather feedback, observations, and address questions from Working Group members. The Chair emphasised that the proposals would be implemented progressively, on the basis of an Implementation Plan, rather than all at once.</p> <p>Mr. Robinson reminded members that additional details were available in the appendix of the meeting paper, and that the presentation would focus on key proposals for discussion.</p>

a) Supply adequacy

Mr Robinson outlined proposals for a reliability standard and capacity forecasting, referencing slide 12: This included an n-1 standard for all parts of the NWIS, without limiting higher operating standards. The ISO would be responsible for forecasting over 10-year horizons, updated annually, and would publish data on energy demand, availability and expected unserved energy and capacity requirements, including a reserve margin.

- Ms White asked about the application of the n-1 standard, especially to private networks.

Mr Robinson emphasised that the standards are for the interconnected network.

- Ms White acknowledged the value of an n-1 standard but suggested that network owners should retain discretion over their own network standards.

Mr Robinson said that the distinction between private networks and networks that were relied upon by others would be made.

- Mr Williamson asked if the proposals would apply to existing infrastructure built to a lower standard (e.g. n-0) and whether non-network solutions could be used to achieve the n-1 standard.

The Chair highlighted that non-network solutions are frequently used in the WEM and are often the least-cost option.

- Mr Changlongsirichai observed that many applicants seeking to build renewable generation preferred an n-0 standard. He asked if the additional costs for applicants were considered under the proposed standard.

Mr Robinson explained that while the network could support higher standards, participants on an n-0 transmission line could agree to adjust their operations to reduce (or otherwise self-supply) their load if the line experiences an outage.

Mr Robinson outlined the proposals for participant supply adequacy targets, referencing slides 13-14. This included a proposal that participants may opt their generation and consumption out of capacity calculations if they met specific criteria. Self-certification of generation would be allowed if the energy is used within their portfolio and it was unaffected by network constraints. Otherwise, the ISO would assess capacity contributions. In cases of a shortfall, the ISO would procure capacity.

- Ms White asked whether the Effective Load Carrying Capacity (ELCC) for intermittent generation would mirror the SWIS approach.

Mr Robinson indicated that this was up for discussion.

The Chair added that she would like to hear why any alternative approach should differ from the SWIS.

- Ms White questioned how an ELCCC method would be effectively implemented in the NWIS given the absence of a reserve capacity mechanism.

Mr Robinson clarified that these measures focus on forecasting potential energy shortfalls and actions in response, with the ISO being responsible for procuring capacity in the event of forecasted shortfalls and recovering costs from participants with insufficient capacity coverage.

- Mr Williamson raised concerns about the long-term certainty for incoming generators, noting that some parties might lack an ongoing obligation to procure capacity.

The Chair clarified that, given the nature of the current system, participants are incentivised to ensure capacity adequacy, as the cost of any ISO-procured reserve capacity would be borne by those with capacity shortfalls.

- Ms White suggested that further equity consideration should be made in spreading costs for a procurement mechanism across the market.

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	<p>Mr Robinson explained that only participants with capacity shortfalls would bear these costs, unlike the WEM supplementary mechanism.</p> <p>The Chair reiterated that the measures are intended to address increased intermittent generation in the Pilbara, with the expectation that participants will continue to ensure their own coverage, and the ISO would only procure a minimal capacity for use in the balancing mechanism.</p> <p>The Chair asked the working group feedback on the direction of these proposals.</p> <p>No objections were raised.</p> <p>b) Centralised balancing services</p> <p>Mr Robinson outlined a proposed structure for a balancing mechanism, referencing slides 16-17. He emphasised that financial participation in the market is optional (participants may manage their own supply/demand) and that each participant can enter the mechanism with a net balancing position of zero.</p> <p>Mr Robinson explained that under this proposal, the ISO would use participant offers to manage supply and demand in real time, reducing the need to use costly Essential System Services (ESS). Participants interested in actively participating in the balancing mechanism would inform the ISO of their maximum balancing range in advance.</p> <ul style="list-style-type: none"> Ms White sought clarification on whether mine sites could manage their generation and load to avoid balancing exposure. <p>Mr Robinson confirmed that participants could manage their own supply/demand portfolio.</p> <ul style="list-style-type: none"> Mr Williamson asked what form the information provided by participants to the ISO would need to take e.g. as an hourly forecast or as a merit order with additional associated flexibility. <p>Mr Robinson suggested that the potential information requirements for participants may include hourly forecast covering generation, consumption, and bilateral contracts. He suggested that bilateral positions and prices could be set one hour before a trading interval, with the ISO making balancing adjustments up to ten minutes before real time, with any demand or supply changes after this time being managed through ESS.</p> <p>Mr Robinson outlined the proposed balancing pricing arrangements with reference to slide 18, including a penalty factor for departure from balanced positions.</p> <ul style="list-style-type: none"> Mr Williamson noted that the current number of balancing points was limited to contestable loads and asked whether the threshold for classification of a balancing point would facilitate locational or smaller size connection points. <p>The Chair suggested further consultation on this question but cautioned against unnecessary complexity around the notional wholesale meter.</p> <p>Mr Robinson described the operation of the balancing market in the event of an energy shortfall, referencing slide 19. Participants would be required to submit balanced nomination for balancing purposes, ensuring that their consumption aligns with their production.</p> <p>Mr Robinson highlighted that, if a participant has spare capacity that could support the system balancing mechanism but has not made it available, the ISO must have the power to direct the use of this capacity to mitigate emerging system risk.</p> <ul style="list-style-type: none"> Ms White asked if a load with behind-the-meter storage would be exempt from such a direction, as this stored power is intended for managing the specific site's capacity adequacy. <p>The Chair responded that, as a starting point for discussion, participants could operate similarly to the SWIS, where they have the option to register their facilities. Some may choose not to register, in which case they would have no balancing obligations but would be limited in their export capabilities.</p>

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	<ul style="list-style-type: none"> Mr Prinsloo noted the difficulty in planning and determining costs with only an hour before the trading interval. <p>Mr Robinson acknowledged the feedback and invited members to propose alternative timeframes.</p> <p>The Chair observed that setting the gate closure to a one-day advance would require sufficient ESS to address uncertainties, which would come at a higher cost.</p> <ul style="list-style-type: none"> Mr Prinsloo suggested that a day or so would be adequate but was unsure if the aim for the future was to eventually have a real time nomination system. <p>The Chair indicated that this question warrants further analysis, and that an incremental approach may be appropriate, suggesting that this could form part of the implementation plan activities.</p> <p>c-e) ISO Board composition; Fee allocation; and ISO budget and resourcing</p> <p>Mr Robinson presented a proposal to amend the ISO board composition, referencing slide 21. Under this proposal, the board would consist of five independent members, with a CEO (managing director) selected by the board, and specific selection criteria applying to director appointments.</p> <p>Mr Robinson also outlined a proposed fee allocation model for the ISO, adopting a volume-based approach to be determined annually, as shown on slide 23.</p> <p>Mr Robinson outlined a proposal to introduce a new requirement for the ISO budget to be approved by the ERA, referencing slide 25. He emphasised the importance of the ISO having adequate resources and assets to ensure a level playing field for all NWIS competitors, highlighting the intention for the ISO to develop in-house control desk capabilities to mitigate concerns over information sharing.</p> <ul style="list-style-type: none"> Mr Williamson asked for further clarity on whether “participants” referred to current NSPs or end users and asked if the settlement period would be monthly. <p>Mr Robinson clarified that “participants” referred to system users. The Chair added that fees would be set on an annual basis based on projected expenditure and demand expectation, with reconciliation based on previous year expenditure.</p> <ul style="list-style-type: none"> Ms White requested additional data to assess the impact of the fee proposal and asked if the fee allocation could consider ISO time spent on individual activities/participants. <p>Mr Robinson acknowledged that it would be a good exercise to develop ballpark figures for reference.</p> <p>The Chair addressed the second aspect of the question, noting that a similar exercise to allocate AEMO’s fees in the SWIS had been challenging and ultimately unsuccessful.</p> <ul style="list-style-type: none"> Mr Chanlongsirichai asked if the ISO’s expanding role might shift it from an administrative model to one resembling the Australian Electricity Market Operator (AEMO). He suggested that a cost comparison between the two models could be helpful. <p>The Chair stated that, while the responsibilities of the ISO were expanding, she was unable to see why the organisation would move towards an AEMO model, and that no discussions have been had to revisit an AEMO appointment to the ISO role.</p> <ul style="list-style-type: none"> Mr Bowen provided additional context on the considerations at the time of the original Pilbara reform and the preference for the ISOCO model, noting that the rationale extended beyond cost factors. <p>Mr Robinson noted that obtaining an accurate cost comparison between the AEMO and ISOCO models would require consultation with AEMO to determine the cost of running its services in the Pilbara region.</p> <ul style="list-style-type: none"> Mr Ninkov asked how board members for the new ISOCO board would be appointed.

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	<p>The Chair noted that board appointment details were still under internal discussion and invited members to provide input on this topic.</p> <ul style="list-style-type: none"> Ms Mason stressed the importance of regional knowledge for directors, highlighting that such expertise is essential for a remote and significant network. <p>The Chair agreed, reiterating that directors would need to meet specific criteria, including familiarity with the Pilbara region and the market.</p> <ul style="list-style-type: none"> Mr Chanlongsirichai reiterated his earlier question about comparing the AEMO and ISOCO models, noting that the addition of independent directors would increase costs. Ms Mason sought clarification on ISO fee allocation and the budget-setting process, expressing concern that existing NSPs might not input in approving a potentially higher budget. <p>The Chair explained that the budget would be approved by an independent body, with key questions focused on ensuring budget efficiency and fair allocation. She added that the proposal follows a model commonly used in other markets, including the WEM, but welcomed any alternatives for consideration.</p> <ul style="list-style-type: none"> Ms White indicated that further work on ISOCO governance and fee allocation is necessary before working group members could endorse including these proposals in the consultation paper. Mr Ninkov suggested differentiating between participant-specific costs (borne individually) and general costs, which would be shared. <p>The Chair agreed with the need for further deliberation, noting that the points raised could be explored in a second discussion of these topics at the next meeting.</p>
	<p>f) Essential System Services</p> <p>Mr Robinson presented an initial proposal for the range and naming of future ESS in the NWIS, referencing slide 27. The proposal includes adding a contingency reserve lower service and conducting further studies to assess the need for an inertia service or faster contingency response. He noted that the appendices provide additional context and rationale for these proposals.</p> <p>Mr Robinson discussed the procurement, contacting and scheduling of ESS, referencing slide 28. He indicated that ESS scheduling may eventually integrate with energy scheduling and the balancing mechanism. For now, however, EPWA proposes retaining a contract-based approach to ESS.</p> <ul style="list-style-type: none"> Mr Prinsloo mentioned that Horizon Power currently procures power from independent power producers via power purchase agreements and requested that such arrangements be considered in evaluating a shift to a market-based mechanism.
	<p>g) ESS cost allocation</p> <p>Mr Robinson outlined initial proposals for allocating costs for regulation and contingency services, referencing slide 30. He noted that all methods are proposed to apply a more granular reference period than current practices.</p> <ul style="list-style-type: none"> Mr Williamson asked about the new contingency reserve lower service and sought clarification that an assessment would be conducted to determine the required capacity and that the service wouldn't be mandatory if existing Harmonised Technical Rules settings could accommodate it. <p>The Chair clarified that this proposal assumes increased storage technology within the Pilbara Network, which may necessitate additional scheduling of contingency lower reserves.</p>

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	<ul style="list-style-type: none"> Mr Ninkov asked how the fee allocation would account and be applied to the renewables that do not operate continuously, such as those running less than 12 hours per day. <p>The Chair confirmed that if a renewable generator does not operate during specific hours, it would not be included in the ESS cost allocation for those periods.</p>
	<p>ACTION: EPWA to develop comparative analysis on the impact of current ISO fee allocation proposal.</p>
<p>7</p>	<p>Next Steps</p> <p>The Chair noted that the remaining topics in Agenda Items 5(h)-(j) - long term planning, enforcement options and the confidentiality regime - would be discussed at the next meeting.</p> <ul style="list-style-type: none"> Members requested that EPWA considers extending the consultation timeframes for the Consultation Paper and the possibility of incorporating a second stage of consultation into the project plan. <p>The Chair agreed to take this as an action.</p>
	<p>ACTION: EPWA to consider the timing of the Consultation Paper release and consultation period, and to consider the possibility of adding a second stage of consultation into the project plan.</p>

The meeting closed at 11:30 am.