DRAFT PILBARA ISOCO MID-YEAR REVIEW 2023-24

1. Introduction and Overview

The Pilbara ISOCo was registered on 7 June 2021 as a not-for-profit company limited by guarantee to perform the role of the independent system operator under the Pilbara electricity regime. Its current members are the three main network service providers in the North-West Interconnected System: Horizon Power, APA and Rio Tinto.

The Pilbara ISOCo receives no ongoing Government funding but recovers its operating and capital expenses through fees levied on participants. Each fee is limited to recovering the costs of providing the service.

The Pilbara ISOCo sets its budget annually and may make mid-year budget adjustments if required. This draft mid-year review is published on the Pilbara ISOCo's website to enable consultation in accordance with the standard consultation process outlined in the Pilbara Networks Rules. The Pilbara Networks Rules require the fees to be consistent with the Pilbara electricity objective and to be consistent with those incurred by a prudent person, acting efficiently and seeking to achieve the lowest practicably sustainable cost of performing its functions.

This document outlines the proposed significant spending changes from the 2023-24 Pilbara ISOCo approved budget. These spending changes are necessary to support the continued development and implementation of services across the Pilbara ISOCo's functions following the commencement of the Pilbara Network Rules from 1 July 2023.

The key functions of the Pilbara ISOCo are outlined in the Chapter 2 of the Pilbara Networks Rules and include:

(a) Maintain and improve system security

(b) Administer exemptions

(c) Develop and administer procedures

(d) Administer protocol framework

(e) Manage registration and publish information

(f) Manage visibility regime

(g) Manage the power system model

(h) Undertake budgeting

(i) Determine loss factors

(j) Oversee generation adequacy regime

(k) Undertake system coordination

(l) Through the ISO control desk participate in system operations

(m) Undertake post-incident investigations

(n) Procure essential system services

(o) Undertake energy balancing and settlement

(p) Develop and administer constraint rules

(q) Provide access and connection services

(r) Undertake network coordination and planning

(s) Publish information and undertake pre-disclosure

(t) Undertake compliance monitoring

(u) Develop rule change and procedure change proposals

2. Budget and Fees

The proposed 2023-24 Revised Budget represents the expected expenditure for each funding category.

Given the difficulty in accurately predicting expenditure, an operating contingency is included within the Other Expenses category.

The Pilbara ISOCo only invoices fees on costs incurred. Underspends and/or contingency items will not be recovered from NSPs if they are not incurred.

3. Changing nature of the North-West Interconnected System

The Pilbara electricity system is transitioning to a low carbon future. The current system is designed around predominately dispatchable thermal generation comprised of gas turbines. Decarbonisation efforts will see a change in the types of technologies that are available to supply electricity and the services that are required to support the new technologies on the system.

The Pilbara electricity system is likely to see rapid growth in generation capacity, transmission infrastructure and the reliance on intermittent renewable electricity.

Following the commencement of the Pilbara Networks Rules on 1 July 2023 and given the above necessary and likely developments, the Company has assessed and adjusted its resourcing requirements. This was done in accordance with Rule 122 of the Pilbara Networks Rules. That is, to act efficiently, in accordance with GEIP and seek to achieve the lowest practicably sustainable cost of performing its functions.

The Company plans to continue to transition from the use of consultants for core business activities and transfer these responsibilities to Pilbara ISOCo employees. Consultants will continue to be used for specialist and bespoke work outside of the current capability and capacity of the Company.

The Company will seek to offset salary costs directly associated with the provision of access and connection services in accordance with Subchapter 9.4 of the Pilbara Networks Rules. This will be further investigated as part of the 2024-25 budget process.

4. Financials

PILBARA ISOCO BUDGET	Budget 23-24	Spending Change	Revised Budget 23-24
Operating Expenses (Regulatory & Technical)			
GOVERNMENT SERVICES	327,273	-	327,273
LEGAL AND PROFESSIONAL FEES			
Legal	230,000	300,000	530,000
Professional Fees	60,000	-	60,000
SYSTEM OPERATIONS			
ISO Control Desk	1,000,000	-	1,000,000
Power System Software	-	45,000	45,000
ENGINEERING AND TECHNICAL SERVICES			
Access and Connection Costs	300,000	-	300,000
Engineering Consultancy	305,000	60,000	365,000
Technical Investigations and Reviews	180,000	280,000	460,000
REGULATORY & TECHNICAL ISO LABOUR COSTS	700,000	225,000	925,000
Operating Expenses (Administration)			
ACCOUNTING AND AUDIT SERVICES	65,000	30,000	95,000
DIRECTOR FEES	150,000	-	150,000
TRAINING AND DEVELOPMENT	40,000	-	40,000
INFORMATION AND COMMUNICATION	30,000	-	30,000
OTHER EXPENSES	450,000	(100,000)	350,000
Total Operating Expenses	3,837,273	840,000	4,677,273

PROPOSED FEES & OTHER RECOVERABLE EXPENSES	Budget 23-24	Revised Budget 23-24
Total Operating Expenses	3,837,273	4,677,273
ISO Fees	3,210,000	4,050,000
Coordinator Fees	309,357	309,357
Authority Fees	17,916	17,916
Access and Connection Costs	300,000	300,000

4.1 Significant Spending Changes

Legal and Professional Fees ($300,000)

The Company is projecting additional costs of $300,000 in 2023-24 for legal and professional fees. These costs relate to:

- Revised scope and preparation of the company's submission to the Australian Competition and Consumer Commission (ACCC) seeking authorisation[1] of certain functions.
- Preparation of an obligations register to assist the company in meeting its compliance obligations under the Pilbara Networks Rules.
- Preparation of internal company policies to reflect the size and growth of the company.

System Operations ($45,000)

Power Factory Licence Base Package with additional features to meet ISOCo's functions including:

- Scripting to determine and review loss factors;
- Stability analysis functions (RMS) for access and connection studies;
- System coordination including outage planning;
- Post incident investigations; and
- Harmonics to develop frequency sweeps for access and connection studies.

Engineering and Technical Services ($340,000)

Engineering Consultancy ($60,000)

The Company is projecting an additional $60,000 for the remainder of the financial year to provide modelling advice and guidance to NSPs and to extend the Pilbara ISCo technical secondee to assist in the transfer of skill to the proposed new permanent Pilbara ISOCo employees.

Technical Investigations and Reviews ($280,000)

The Company is projecting additional costs of $280,000 following revised scope of study requirements relating to constraints, network planning, essential system services.

Regulatory and Technical ISO Labour Costs ($225,000)

Following the engagement of principal technical and regulatory leads, the commencement of Pilbara Networks Rules on 1 July 2023 and the finalisation of the following procedures:

- Notices and Communications Procedure
- Registration and Standing Data Procedure
- Energy Balancing and Settlement Procedure
- Cyber Security Procedure
- Budget and Cost Management Procedure

[1] Note existing competition authorisation pursuant to S120ZF EI Act

- Access and Connection Procedure
- Essential System Services Procedure
- Modelling Procedure
- Protocol Framework Procedure
- Visibility Procedure
- Compliance Procedure,

the ISO has identified an immediate need for an additional four full time employees to assist in meeting the company's functions under part 8A of the *Electricity Industry Act 2004*, acting efficiently, in accordance with Good Engineering Industry Practice and to achieve the lowest practicable sustainable cost in accordance Rule 122 of the Pilbara Networks Rules.

The additional employees would bring the total number of permanent employees to seven.

1 X Senior Engineer (5-10 year)

Key tasks are to assist with management of Access and Connection process, manage the NWIS PowerFactory model, manage consultants with power system studies, assist with PNR and HTR exemptions, assist with compliance monitoring and post incident reviews and investigations.

2 X Graduate Engineer (0-5 year)

Key tasks include performing basic PowerFactory modelling for planned outages to inform ISO Control Desk, prepare papers and chair fortnightly system co-ordination meetings, undertake post incident reviews and investigations, informal discussions about outages (planned and unplanned), manage contract management of delegation of ISO Control Desk.

1 X Regulatory and Business Support Officer

Key tasks to include providing regulatory and business support in progressing rules and procedure changes, electricity sector research and data collection, EBAS quality checks, website and communications updates and procurement and finance activities.

4.2 Administrative Operating Expenses

Accounting and Audit Services ($30,000)

An additional $30,000 to meet the company's internal financial reporting requirements.

Other Expenses (-$100,000)

Contingency has been revised downward by $100,000 to reflect that the Company is tracking close to budget for the July to October 2023 period.