

STAKEHOLDER RESPONSES – DRAFT PILBARA ISOC Co BUDGET AND FEES 2024-25

Item	Section	Submission	Stakeholder Comment	ISO Response (public)
1.	General	APA	<p>APA’s Comments on Draft ISOC Co Budget and Fees – 2024-25</p> <p>APA is concerned with the total operating expenses in the ISO’s draft 2024-25 budget and fees consultation paper increasing by \$872,600 pa to \$5,549,873 pa. This represents an overall c.19% increase in total operating expenses from the ISO’s 2023-24 budget.</p> <p>The ISO cites the main drivers of these increased total operating expenses are associated with the ISO:</p> <p>a. commencing functions that are required every two years under the Rules, including long-term planning and coordination, ISO Audit and monitoring the regime’s effectiveness; and</p> <p>b. incurring additional costs of employing staff, including salaries, office accommodation, IT and communication, and travel and training.</p> <p>As a consequence, the ISO Fees which are paid equally by Registered NSP’s are increasing by \$772,600 to \$4,822,600 in the ISO’s draft 2024-25 budget. APA is concerned with this c.19% increase in ISO Fees in the ISO’s draft 2024-25 budget consultation paper.</p> <p>APA is unclear from the ISO’s draft 2024-25 budget consultation paper how these costs have been determined by the ISO and further how these increases in costs benefit the NWIS and are consistent with the Pilbara Electricity Objective. The ISO’s draft 2024-25 budget consultation paper provides no cost breakdown to justify these costs and to ensure the ISO is achieving the primary budget objective which is the lowest practicably sustainable cost to perform the ISO’s functions.</p> <p>APA recommends the ISO provide stakeholders with greater transparency and detail on how these total operating costs</p>	<p>The ISO charges ISO Fees for the performance of its functions under the Pilbara Networks Rules.</p> <p>The ISO’s draft Budget and Fees Consultation Paper itemised costs in accordance with the Interim Budget Management and Fees Procedure.</p> <p>Stakeholders were provided a breakdown of costs and an explanation of significant spending changes. The ISO’s increased costs in 2024-25 are driven by ISO performing additional functions under the Rules which are required to be undertaken by 1 July 2025 as well as an increase in the delegated control desk costs.</p> <p>The ISO understands that APA is seeking greater transparency and detail on how costs are being determined and justified against the Pilbara electricity objective.</p> <p>The ISO is further exploring opportunities to provide greater transparency and additional assurance to stakeholders that it is meeting the Budget objectives. This could include consideration of an independent review of ISO’s 2025-26 Budget.</p>

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			<p>have been calculated and more importantly how the ISO justifies these costs against the Pilbara Electricity Objective and the budget objectives. This will ensure that Registered NSP's can understand that these increased costs are justified and are the lowest practicably sustainable cost to perform the ISO's functions. Currently, Registered NSP's have no way of knowing if the costs included in the ISO's draft 2024-25 budget consultation paper are achieving the primary budget objective which is the lowest practicably sustainable cost to perform the ISO's functions.</p> <p>APA also recommends the ISO provide further detail on the ISO's actual budget spend in 2023-24 i.e., what parts of the 2023-24 ISO budget have been implemented as this is currently not clear to APA. Additionally, APA requests comment from the ISO justifying differences in actual vs budgeted spend.</p>	
2.	Consultancy	APA	<p>Consultancy Fees</p> <p>APA notes that the ISO's mid-year 2023-24 budget stated that "the Company plans to transition from the use of consultants for core business activities and transfer these responsibilities to Pilbara ISOCO employees". However, APA notes that consultants are still being engaged by the ISO for the 2024-25 budget. The ISO's draft 2024- 25 budget consultation paper states that "consultants will continue to be used for specialist and bespoke work outside the current capability and capacity of the ISO team".</p> <p>APA notes that the ISO plans to engage consultants in 2024-25 for:</p> <ol style="list-style-type: none"> a. Legal and professional services; b. Engineering and technical services; and c. Long-term planning and coordination. <p>APA is concerned that the transition from the use of consultants for core business activities to ISO employees has not occurred due to delays in the ISO employing staff. APA believes this may lead to the continued engagement of consultants in 2024-25 and actual expenditure for consultants in 2024-25 being higher than outlined in the ISO's draft 2024-25 budget consultation paper. APA does not believe this approach is consistent with the budget objectives.</p>	<p>As at 1 July 2024, the ISO will have completed its recruitment and all new team members will have commenced. It is expected to take 3-6 months to fully upskill new team members.</p> <p>In the Consultation Paper, the ISO indicated it expected to decrease expenditure on consultants in 2024-25, including:</p> <ul style="list-style-type: none"> • A decrease of \$280,000 for legal services; and • A decrease of \$309,000 for engineering and technical services. <p>The ISO also expects to complete additional tasks with additional internal resources.</p>

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			<p>APA requests the ISO provide stakeholders with an update on the ISO's recruitment of the additional employees identified in the ISO's mid-year 2023-24 budget especially recruitment of a Senior Engineer and a Regulatory and Business Support Officer.</p> <p>APA notes that the ISO expects to incur Engineering and Technical Services costs of \$861,000 in 2024-25. These costs relate to:</p> <ul style="list-style-type: none"> a. various studies as required by the Interim Access and Connection Procedure; b. developing and updating the power system model on a 6-monthly basis; and c. technical investigations and reviews including matters relate to constraint studies, ESS procurement, compliance, exemptions, incidents or other technical work which the ISO does not have the capacity or capability to deliver internally. <p>APA is unclear from the ISO's draft 2024-25 budget consultation paper on how the ISO are engaging consultants and what criteria is used to determine when consultants need to be engaged by the ISO. The ISO's draft 2024-25 budget consultation paper is also unclear on how the ISO has determined these consultancy costs and what engineering and technical services are being completed in house by the ISO.</p> <p>APA recommends the ISO provide greater detail and transparency to stakeholders on the engagement of consultants and how these costs are being determined by the ISO to ensure the ISO is achieving the primary budget objective which is the lowest practicably sustainable cost to perform the ISO's functions.</p>	
3.	Legal	APA	<p>Legal Fees</p> <p>The ISO's draft 2024-25 budget and fees consultation paper projects \$250,000 for legal fees in 2024-25.</p> <p>These projected fees are to:</p> <ul style="list-style-type: none"> a. finalise the ISO's submission to the Australian Competition and Consumer Commission (ACCC) seeking authorisation of certain functions; 	<p>Further information on the Pilbara ISOC Co ACCC authorisation process can be found here: Pilbara ISOC Co Ltd ACCC</p> <p>The ISO has identified potential Rule and Procedure changes likely required in 2024-25, as new functions commence and as identified through recent stakeholder feedback, including:</p> <ul style="list-style-type: none"> • On 29 February 2024 the Pilbara Advisory Committee (PAC) considered a Concept Paper on ESS Cost Allocation for inverter-based technology. It is anticipated that this may result in Rule and Procedure changes; and

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			<p>b. drafting and advice on Rule and Procedure changes and other ad hoc legal advice on implementation of the Rules; and</p> <p>c. drafting and negotiating essential system services contracts.</p> <p>APA notes that the ISO’s submission to the ACCC seeking authorisation of certain functions was included in the ISO’s finalised 2023-24 budget. APA requests the ISO provide stakeholders with an update on this submission to the ACCC as this has been again included in the ISO’s draft 2024-25 budget and fees consultation paper.</p> <p>APA also notes that the ISO’s draft 2024-25 budget and fees consultation paper includes legal fees for drafting and advice on Rule and Procedure changes. APA is unaware of any Rule or Procedure changes that are currently occurring or that are scheduled to occur in 2024-25. APA notes that the ISO have completed public consultations on a range of Procedures in 2023-24 that are now finalised. APA requests the ISO provide more detail to stakeholders on what drafting and advice on Rule and Procedure changes will occur in 2024- 25 to justify these projected legal fees.</p> <p>APA does not believe the ISO approach to legal fees is consistent with the budget objectives, APA recommends the ISO consider recruiting an in-house legal representative to reduce legal fees in 2024-25, this is likely a more cost-efficient outcome.</p>	<ul style="list-style-type: none"> On 24 May 2024 the ISO published a Notice that it will be undertaking a Review of Sub-Chapters 7.3 and 7.4 of the Rules, it is anticipated that this may result in Rule and/or Procedure changes. <p>The ISO believes APA’s comment has merit, that an in-house legal representative will potentially lead to cost efficiencies in the quantum of work that could be completed in-house for the same or lower cost. The ISO will explore this further throughout 2024-25, for potential implementation as part of the 2025-26 Budget process.</p>
4.	Access and Connection	APA	<p>Access and Connection Fees</p> <p>The ISO’s draft 2024-25 budget and fees consultation paper outlines that “to off-set increasing costs driven by increased access and connection tasks performed by internal resources, the ISO has investigated access and connection fees and charges that could be used to recover costs of internal resources used for access and connection”.</p> <p>The ISO’s draft 2024-25 budget and fees consultation paper proposes to “charge a smoothed hourly rate of \$247/hour plus GST for internal resources, which includes labour costs, modelling software and appropriate overheads (ICT, training and development and rent)”.</p> <p>APA does not agree with this proposed approach by the ISO as these access and connection tasks will be performed by</p>	<p>Rule 274R allows for recovery of ISO’s costs of performing functions under Subchapters 9.2 and 9.3 of the Rules.</p> <p>These user charges are not for additional resources, they will off-set ISO fees for already approved resources.</p> <p>The ISO’s proposed charge of \$247/hour plus GST was based on expected costs for salaries, modelling software and a portion of appropriate overheads (ICT, training and development and rent). ISO benchmarked its hourly rate against fees and charges currently charged by other operators, for example see: External Procedures Template Mar 2015 (aemo.com.au)</p>

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			<p>internal resources. APA is unclear on why an additional hourly charge is required especially as the ISO are recruiting additional internal resources including a Senior Engineer and a Regulatory and Business Support Officer to assist with these access and connection tasks. APA requests the ISO justify how this approach is consistent with the budget objectives.</p> <p>In addition to the above, the ISO's draft 2024-25 budget and fees consultation paper provides no detail on how the hourly rate of \$247/hour plus GST was determined by the ISO. APA requests the ISO provide further information to stakeholders on how this hourly fee was determined to justify these costs.</p>	
5.	Access and Connection	Horizon Power	<p>Access and Connection Costs</p> <p>Horizon Power understands that the ISO needs some level of certainty in terms of the Access and Connection Labour costs to conduct the works associated with Access and Connection Procedure. It will be helpful to understand in next year's budget the extent the labour costs were supported by the Access and Connection revenue stream in the 24-25 budget year.</p>	<p>The ISO will continue to track its access and connection labour costs.</p> <p>The user charges will increase the transparency of these costs. The amount collected will be reported in the 2025-26 Budget.</p>
6.	ISO Control Desk	APA	<p>ISO Control Desk Costs</p> <p>The ISO's draft 2024-25 budget and fees consultation paper includes \$1,224,000 for ISO Control Desk costs in 2024-25. This represents a c.22% increase in ISO Control Desk costs.</p> <p>APA is unclear on why these ISO Control Desk costs have increased by \$224,000 from the ISO's 2023-24 budget. The ISO's draft 2024-25 budget and fees consultation paper provides no detail on these increased costs.</p> <p>APA notes that the ISO requested Horizon Power to obtain an independent audit of the costs it proposes to recover in 2024-25 to ensure these costs are compliant with Rule 125 of the Rules. The ISO's draft 2024-25 budget and fees consultation paper notes that the independent auditor confirmed the proposed ISO Control Desk costs were compliant with Rule 125 of the Rules.</p> <p>APA is seeking greater transparency from the ISO on the ISO Control Desk costs for 2024- 25 to ensure the costs recovered by Horizon Power are not exceeding the amount that would be incurred by a prudent system operator performing those</p>	<p>The ISO has published the Auditor letter and Executive Summary of the ISO Control Desk Audit.</p> <p>The ISO cannot publish a full cost breakdown as it contains commercially sensitive information.</p>

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			<p>functions and to ensure that Horizon Power is achieving the lowest sustainable cost of performing the functions having regard to the Pilbara Electricity Objective as required under rule 125 of the Rules.</p> <p>APA recommends the ISO provide stakeholders with the independent audit report that was conducted by the independent auditor. APA also recommends the ISO provide stakeholders with a full cost breakdown to justify how these costs have been determined and to ensure the ISO is achieving the primary budget objective which is the lowest practicably sustainable cost to perform the ISO's functions.</p>	
7.	Long-Term Planning and Coordination	APA	<p>Long-Term Planning and Coordination</p> <p>The ISO's draft 2024-25 budget and fees includes \$600,000 for Long Term Planning and Coordination in 2024-25. APA notes that the Rules require the ISO to prepare and publish a transmission development plan and a Pilbara generation statement of opportunities (Pilbara GenSOO) by no later than July 2025.</p> <p>APA believes a fee of \$600,000 to prepare and publish a transmission development plan and Pilbara GenSOO is high especially as the ISO intends to use internal resources as well as consultants to complete this work.</p> <p>The ISO's draft 2024-25 budget and fees consultation paper provides no cost breakdown to justify how these Long-Term Planning and Coordination costs were determined and to ensure the ISO is achieving the primary budget objective which is the lowest practicably sustainable cost to perform the ISO's functions.</p> <p>APA notes that the draft 2024-25 budget and fees consultation paper states that "the ISO has estimated a cost of preparing these reports by reviewing similar reports prepared by AEMO for the National Electricity Market (the Integrated System Plan) and the Wholesale Electricity Market (the WEM ES00), adapting likely requirements for the Pilbara electricity system".</p> <p>APA is concerned with this approach as the National Electricity Market and the Wholesale Electricity Market are fundamentally different to the NWIS and should not be used as benchmarks to estimate a cost to prepare the Pilbara GenSOO. The Pilbara</p>	<p>The ISO is reviewing the necessity and timing of completing its long-term coordination and planning work to ensure it meets the requirements of the Rules while, so far as reasonably practicable, minimising cost and disruption to Rules participants.</p> <p>The ISO Budget projects expenditure against this line item, as it is a function of the ISO under Chapter 10 of the Rules. The ISO does not charge fees against line items if the costs are not incurred.</p>

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			<p>GenSOO needs to be developed such that it is fit for purpose and meets the needs of the Pilbara Electricity Objective.</p> <p>APA recommends the ISO provide stakeholders with the proposed scope of works for the transmission development plan and Pilbara GenSOO for public comment before these reports are prepared. In addition, APA also recommends the ISO undertake a public consultation process and provide stakeholders with the ISO's draft decision for the transmission development plan and Pilbara GenSOO for public comment before the ISO releases its final decision. This will ensure stakeholders have an opportunity to provide comments on these reports to ensure they are fit for purpose and meet the needs of the Pilbara Electricity Objective before a final decision is made.</p>	
8.	Long-Term Planning and Coordination	Horizon Power	<p>Long-Term Planning and Coordination</p> <p>Horizon Power seeks further clarification on the breakdown of works that is required for the ISO to meet its obligations under rule 281 and 282.</p> <p>It is also to Horizon Power's understanding that there have been similar works that has been conducted by EPWA in the Pilbara Round Table forum conducted in 2023.</p> <p>Has the ISO taken into consideration these set of works to form a basis for the works for the development of the Transmission Development Plan and Pilbara GenSOO thus reducing the cost?</p>	See Row 7 above.
9.	Other Expenses	APA	<p>Other Expenses</p> <p>The ISO's draft 2024-25 budget and fees includes \$513,800 for Other Expenses in 2024-25. This represents a c.47% increase in Other Expenses costs from the ISO's 2023-24 budget.</p> <p>APA is seeking greater clarity and transparency from the ISO on how these Other Expenses costs were calculated. The ISO's draft 2024-25 budget and fees consultation paper provides no detail around these Other Expenses costs and what this spend relates to.</p> <p>APA recommends the ISO provide stakeholders with full cost breakdown to justify how these costs have been determined and to ensure the ISO is achieving the primary budget</p>	<p>The ISO has further broken down the other expenses column in its final Budget.</p> <p>Other expenses includes:</p> <ul style="list-style-type: none"> Banking and insurance = \$75,300 Office expenses and recruitment = \$108,500 Contingency, amortisation and depreciation = \$330,000 <p>Total = \$513,800</p> <p>The primary drivers of the difference include increased cost of office space for internal staff; and higher operating expenses and therefore higher allocated contingency.</p>

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			objective which is the lowest practicably sustainable cost to perform the ISO's functions.	
10.	Other Expenses	Horizon Power	<p>Other Expenses</p> <p>Horizon Power seeks to understand the increment in the line item "Other Expenses" which has increased to a total of \$513,800 for the financial year of 24/25 which represents a total increase of \$163,800. This is contradictory to the breakdown that explains the reduction in other costs as they are being completed by internal staff and the transitional task are also being completed.</p>	See above.