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To James Campbell-Everden
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Dear James

Horizon Power Generation Response – Draft Decision: Review of Subchapter 7.3 and 7.4 of the Pilbara Network Rules

1 Draft Decision by Pilbara Independent System Operator Co

- (a) Horizon Power's generation and retail division (**Horizon Power Generation**) refers to the document released by Pilbara Independent System Operator Co (**ISO**), titled 'Draft Decision: Review of Subchapter 7.3 and 7.4 of the Pilbara Network Rules' (**Draft Decision**).
- (b) On 4 October 2024, ISO released the Draft Decision for consultation and has noted that formal written submissions will be accepted until 5:00 pm on Friday 1 November 2024.
- (c) In providing these submissions, Horizon Power Generation hopes to improve and strengthen the Pilbara network, and particularly, to ensure that the Pilbara Network Rules (**PNR**) and associated procedures will provide a clear mechanism for compensation for proponents providing network security services going forward.
- (d) This letter sets out:
 - (1) a summary of the background and Horizon Power Generation's understanding of the Draft Decision; and
 - (2) Horizon Power Generation's submissions in relation to the Draft Decision.

2 Background to Horizon Power Generation's submissions

- (a) As a result of a network element upgrade project by one of the other NSPs, one of the interconnectors were required to be taken out of service for a significant period. This has resulted in Horizon Power, and the ISO Control Desk, routinely requesting energy dispatch from Karratha Power Station to maintain the system in a Secure State. These requests have resulted in Horizon Power Generation dispatching its generation portfolio uneconomically and incurring generation costs that it would not have otherwise incurred. The commissioning and energisation of the new interconnectors are ongoing.
- (b) Horizon Power Generation has put in an offer to ISO to be a provider of the additional service called Supplementary Spinning Reserve Essential System Services (**Supplementary SRESS**) and has requested that any future ISO Control Desk instructions to dispatch Karratha Power Station should allow Horizon Power Generation to claim compensation for providing Supplementary SRESS.

- (c) However, Horizon Power Generation understands that ISO does not consider the use of Supplementary SRESS as a viable solution as ISO considers that the PNR do not provide a clear mechanism for the use of Supplementary SRESS to manage notifiable events. Instead, ISO noted that the Draft Decision would propose material changes to the PNR that address the limitations of ISO's power and which may help to avoid the reoccurrence of such circumstances in the future.
- (d) Horizon Power Generation provides its submission in the context of this background.

3 Horizon Power Generation's submissions

In general, Horizon Power Generation supports the recommendations proposed by ISO in the Draft Decision, except to the extent identified in the following submissions.

3.1 Prioritising system security over collaboration – Draft Recommendation 7 (Section 6.1.7)

- (a) Although Horizon Power Generation agrees with the imperative to prioritise system security and to avoid an over-emphasis on collaboration, the requirement for parties to work collaboratively and communicate openly should form part of any future amendments to the PNR.
- (b) The provision of an alternative mechanism for decision making in the PNR should not discourage proponents from collaborating and attempting to mutually agree solutions as a precursor to matters being brought before ISO for resolution or finalisation. Failing to adopt a collaborative approach initially may result in an overabundance of matters being brought before ISO, congesting and slowing down the process.

3.2 Outage management – Draft Recommendation 14 (Section 7.3)

- (a) ISO's Draft Decision presents a relatively formal and thorough outage management process which will assist with better planning activities in the broader scheme of the network. However, such an approach is likely to result in longer approval times for planned outages and may provide less flexibility to adjust for unforeseen issues which develop during the planned outage.
- (b) Planned outages cancelled at the last minute will cause generators and Network Services Providers (**NSPs**) to incur additional costs, especially when resources were already deployed to site. A mechanism should be included in the PNR to compensate generators and NSPs for such costs.
- (c) The process outlined in Section 7.3 of the Draft Decision would require the proponent of an outage to notify impacted participants at least 3 months prior to the outage and to take their views into account when developing the outage proposal and associated outage management plan. Whilst this may be sufficient for participants more generally impacted by a planned outage, it does not afford sufficient protection to impacted participants who are required to actively participate in mitigating the impacts of the outage through machine starts and other mechanisms. The PNR and procedures should:
 - (1) provide clearer rights for impacted participants to agree (or in certain circumstances, refuse) the proposal relating to an outage; and
 - (2) clarify whether impacted participants are only to be notified and consulted prior to the outage at a broad level or provided with copies of the outage proposal and outage management plan and be given an opportunity to comment on these documents (with the later approach being supported by Horizon Power).

Pursuant to Draft Recommendation 16, the ISO intends to be empowered to direct other participants to take measures to mitigate notifiable events. Whilst Horizon Power Generation supports this proposal, any participants to be so directed should be involved in planning their participation in the outage process more thoroughly and should be given a clear understanding of the remuneration they will receive for their participation.

3.3 Dealing with the costs of mitigation – Draft Recommendation 17 (Section 8.4)

- (a) From a policy point of view, Horizon Power Generation's view is that if outage mitigation requires machine starts or other activities which overlap with other services provided by an Essential System Services (**ESS**) provider, the causer should pay. Horizon Power's network is wedged between two other NSP networks. Any upgrades or maintenance on Horizon Power's transmission backbone network benefits the other NSPs connected to Horizon Power's network. Due to the geographic location of Horizon Power Generation's generation assets and Horizon Power's network, Horizon Power Generation incurs frequent network constraint notices resulting in inefficient generation dispatch. Under certain circumstances, upgrades and maintenance on the other NSP networks can impact Horizon Power Generation's generation efficiencies because of the split in generation facilities between Karratha and Port Hedland. It is unreasonable for Horizon Power Generation to bear these costs all the time, particularly in relation to planned projects from other NSPs.

Horizon Power Generation requests that it is treated as a 'contestable generator' and is compensated for all machine start-up requests coming from other NSPs and the ISO Control Desk for network security purposes.

3.4 Use of ESS to mitigate outages – Draft Recommendation 18 (Section 8.5)

- (a) Horizon Power Generation's view is that, in the long term (once more complete rule changes develop) the primary method of mitigating outage related risk ought to be achieved through the outage proposal and associated outage management plan. Through this process, any required machine start or other mitigation mechanisms should be identified and appropriate compensation arrangements for the impacted proponent should be made via the relevant cost-allocation methodology (see our comment in relation to section 8.4). However, ESS may be relied on to mitigate the impact of outages:
- (1) as an interim mechanism, implemented on an urgent basis, to enable impacted participants to be compensated for the provision of network security services;
 - (2) in the longer term, where additional mitigation actions are required in excess of those provided for under the outage management plan; and
 - (3) if the outage is an unplanned outage.
- (b) The PNR and procedures should make it clear when a proponent is being directed to start a machine pursuant to an outage management plan (as contemplated in Recommendation 16) and when they are being directed to do so under a contract for ESS services as part of the ESS mechanism.

3.5 Use of ESS to mitigate outages – Draft Recommendation 19 (Section 8.5)

- (a) Horizon Power Generation supports the ISO progressing urgent interim rule and procedure changes to activate the ability for ISO to allow ESS to be used to mitigate outages, at least as an interim solution, pending more comprehensive changes to the PNR.

- (b) We understand the intention is to characterise Supplementary SRESS as an ESS. This intended classification of Supplementary SRESS as ESS should be made explicit in the PNR.
- (c) Horizon Power Generation considers the Supplementary SRESS mechanism to be appropriate for the recovery of costs incurred by the generator when directed by the ISO Control Desk to start a machine for system security purposes. The Supplementary SRESS mechanism is appropriate as it considers marginal costs only with reference to cost allocation of Supplementary SRESS.
- (d) Horizon Power Generation's view is that for Supplementary SRESS, the runway model should consider the capacity of the machine that is providing Supplementary SRESS and not the standard primary SRESS cost allocation percentages. For example: if Supplementary SRESS is required to start a Karratha unit, the runway model cost allocation for Supplementary SRESS should use the Karratha machine capacity as it is required for that zone only to mitigate the risk.
- (e) Further, under clause 8.5.11 of Subchapter 8.3 of the PNR, Rule 229 (Spinning Reserve) defines the "Reference Unit" as the unit with the largest operational capacity which is capable of forming a contingency outage. Horizon Power Generation considers that, the capacity of the generation unit is not the most appropriate method of allocating costs for Supplementary SRESS and, the method should have regard to the actual load on the unit, in addition to the unit's capacity. Horizon Power Generation considers that the ISO should investigate a dynamic solution to the SRESS cost allocation model, rather than simply using the capacity of the unit as the means of allocation.

3.6 Matters left for broader review (Draft Recommendation 20)

Several important topics were left for a broader review. Horizon Power Generation understands these topics affect more than subchapter 7.3 and 7.4, and would appreciate an indication from the ISO when these issues would be reviewed, and appropriate recommendations be put in place.

Yours sincerely

Herman Prinsloo
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Regional Power Corporation (trading as Horizon Power)