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14 December 2022

Attention: Penny Bigham
Analyst | Competition Exemptions | Mergers, Exemptions and Digital
Australian Competition & Consumer Commission (ACCC)
23 Marcus Clarke St
CANBERRA ACT 2601

Submitted via exemptions@accc.gov.au

INTENDED FOR PUBLICATION

Dear Ms Bigham

AA1000623 – PILBARA ENERGY NETWORKS – SUBMISSION

Woodside Energy Group Ltd (Woodside) welcomes the opportunity to provide comment to the Pilbara ISOCO Limited's application for authorisation AA1000623 – interested party consultation.

On 1 June 2022 Woodside and BHP Petroleum merged to create a leading independent global energy company. We are now the largest energy company listed on the Australian Securities Exchange, with business interests spread across five continents. Our headquarters are on Whadjuk Noongar country in Perth, Western Australia and we have operated on the Burrup Peninsula (Murujuga) in the Pilbara region of Western Australia for more than 35 years.

Woodside provides energy that the world needs to heat and cool homes, keep lights on and support industry and we aim to thrive through the energy transition by building a low-cost, lower-carbon, profitable, resilient and diversified portfolio. Our climate strategy is an integral part of our company strategy. It has two key elements: reducing our net equity Scope 1 and 2 greenhouse gas emissions and investing in the products and services that our customers need as they reduce their emissions. Woodside established a new energy and lower-carbon services business in 2018. In 2021, we announced an investment target of US\$5 billion by 2030 in new energy products and lower-carbon services that our customers need as they reduce their emissions¹.

As part of our new energy activities, Woodside is currently progressing an opportunity to supply up to 50 MW of solar energy from the Woodside Power Project (power opportunity) to the Pluto LNG Facility. This would result in a direct reduction in Scope 1 greenhouse gas emissions from Pluto. Woodside is also investigating the potential to supply solar energy from the power opportunity to other industrial customers.

The power opportunity is proposed to initially generate electricity from a large-scale solar farm, complemented by a battery energy storage system. Woodside plans to supply this solar energy through the 'covered' Horizon Power-owned and operated North West Interconnected System (NWIS) to its customers connected to the NWIS under Part 8A of the *Electricity Industry Act 2004 WA* (the Act). The power opportunity is proposed to be located on Ngarluma country, in the Maitland Strategic Industrial Area approximately 15 km south-west of Karratha.

Subject to various factors, such as a customer's existing electricity source and demand profile, every 100 MW of solar electricity supplied to customers connected to the NWIS is expected to reduce greenhouse emissions by 100 kt per annum, as well as reducing emissions of other pollutants, such as nitrogen oxides and sulphur oxides.

Woodside has progressed environmental studies and submitted a referral to the Environmental Protection Authority in November 2021. Woodside is also working with preferred developers, Pacific Energy Group and Horizon Power, on development of the solar generation, battery energy storage and transmission infrastructure required for the power opportunity. There is potential to expand the power opportunity to a



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¹ Individual investment decisions are subject to Woodside's investment targets. Not guidance. Potentially includes both organic and inorganic investment.

maximum of 500 MW if needed to meet additional customer demand for solar energy in the future in the Pilbara.

Until recently there has been no single system operator in the NWIS. Formalising a role for an independent system operator for the NWIS (Pilbara ISO) is intended to support a whole-of-system approach to power system operations, and also to other matters such as outage and contingency management, procurement of essential system services, and cost allocation and recovery.

Division 9 of the Act recognises the extent to which the Pilbara ISO will, under the administrative ISO model, perform substantial elements of its functions through delegates, and not just a single delegate, but potentially multiple Network Service Provider (NSPs) and/or other industry participants. Woodside also understands that attention has been given to ensure the Pilbara ISO, its employees and officers and those who assist it in performing its functions (whether delegates or contractors), receive appropriate protections, while at the same time those protections do not have unintended consequences or inappropriately disrupt commercial arrangements.

As part of the ISO role, management of confidential information is an area where competing objectives must be balanced. Any business will wish to protect its commercially sensitive and confidential information wherever possible. This is especially so in the Pilbara market within which many Pilbara energy users may compete. On the other hand, Woodside understands that the more transparently relevant information about Pilbara networks can be shared (including matters such as reserve capacity, expansion plans and incident responses), the better equipped the ISO will be to undertake its functions of maintaining and improving system security and facilitating overall network co-ordination and planning.

Woodside understands that although it was initially proposed that the Australian Energy Market Operator (AEMO) be appointed as the Pilbara ISO it was ultimately decided to establish an incorporated not-for-profit company limited by guarantee under the *Corporations Act 2001* (Commonwealth) to act as the Pilbara ISO. The founding members of Pilbara ISO are the three main operators of the electricity networks in the Pilbara: Horizon Power, Alinta Energy and Rio Tinto.

Consultation scope

Woodside notes the scope of the ACC's consultation as outlined below:

On 7 November 2022, the ACCC received an application from Pilbara ISOCO Limited (the Applicant) who is the independent system operator (ISO) for the North-West Interconnected System (NWIS), an electricity grid in Western Australia's Pilbara region. The Pilbara Regime is a specialist regulatory regime created by the Western Australia government to cover access and use of certain covered electricity networks in the Pilbara region. The Applicant was incorporated to perform the ISO role for the Pilbara Regime. The Pilbara Regime gives the ISO and various other persons powers and responsibilities in order to:

- facilitate access to the covered networks in order to promote competition in the generation and supply of electricity, and*
- provide for the integrated operation of the various networks to maintain and power system security and reliability.*

Authorisation is sought by the Applicant on behalf of itself and three separate classes of current and future persons with powers and responsibilities under the Pilbara Regime to engage in any conduct that is required or permitted by the Pilbara Regime to allow for its implementation and facilitation.

Specifically, the conduct relates, but is not limited, to:

- the Applicant's centralised procurement and allocation of essential system services and payments*
- the Applicant's management of the centralised energy balancing regime and payments*
- the Applicant's procurement of whole-of-system modelling services*
- the National Service Provider's and the Applicant's approval of new connections*
- the National Service Provider's and the Applicant's management of constrained access*
- the National Service Provider's and the Applicant's operational decisions, directions actions and protocols*
- the National Service Provider's various collaboration and coordination, with and without the Applicant*
- the Applicant's delegation of its real-time control desk function to Horizon Power, and*
- information sharing between National Service Providers and the Applicant.*

Authorisation is sought for a period of 10 years.

Noting the Pilbara continues to be a key focus of Woodside's oil and gas operations and is now a location under consideration for new energy and lower-carbon opportunities, we consider the ACCC's consultation to be particularly relevant to Woodside.

Woodside submission

Woodside notes the criticality of effective system operations and is therefore pleased to provide in-principle support for the Pilbara ISO's application for authorisation.

Woodside acknowledges the efforts of the Western Australian Government to enhance the Pilbara's electricity services on the NWIS through the introduction of a fit-for-purpose regulatory framework designed to facilitate competition and drive a more integrated electricity grid in the region.

Woodside considers that it is in the public interest that the Pilbara ISO, as part of the Pilbara electricity reforms, is appropriately enabled to meet its legislative responsibilities. This includes a range of matters but of particular interest to Woodside are that:

- access to the NWIS through connection of new loads or generators is encouraged;
- the regime drives broad-ranging benefits including but not limited to supporting infrastructure efficiencies; increasing investment in renewables; increasing options for decarbonisation; and better utilisation of existing infrastructure and assets;
- parties can rely on maintaining confidentiality of commercially sensitive information and appropriate management of potential and/or actual conflicts of interest; and
- fulsome and transparent engagement is undertaken with all relevant stakeholders.

In its considerations, Woodside draws the ACCC's attention to the provision for review of Pilbara networks in Part 8A, Division 11, section 120ZG of the Act, which may be of relevance to the requested authorisation period.

- (1) *The Authority is to review the operation of the regulatory arrangements established for Pilbara networks under this Part (a) as soon as practicable after the 5th anniversary of the day on which the Electricity Industry Amendment Act 2020 section 19 comes into operation; and (b) after that, at intervals of not more than 5 years.*
- (2) *The purpose of the review is to assess the extent to which the Pilbara electricity objective has been or is being achieved.*
- (3) *The Authority is, for each review, to give the Minister a written report based on the review not later than 12 months after the review commences.*
- (4) *If the Authority considers that part or all of the Pilbara electricity objective has not been or is not being achieved, the report is to set out recommendations as to how the objective can be achieved.*
- (5) *Not later than 6 months after receiving the report the Minister is to — (a) cause the report to be laid before each House of Parliament; and (b) prepare a response to the report and cause the response to be laid before each House of Parliament.*
- (6) *As soon as practicable after the report is laid before each House of Parliament, the Authority is to make a copy of the report publicly available on a website maintained by or on behalf of the Authority.*

Woodside submits that a shorter period of authorisation than sought, aligned with the timing for the above-referenced review, may be more appropriate.

We trust this information is useful for the ACCC's considerations. If you would like further information or to discuss the matters raised in this submission, please do not hesitate to contact us.

Yours sincerely



Gemma Lynch
Pilbara Power Project Manager