

DM: 44351994

17 June 2024

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Dear Sir/Madam

Submission on APA DEWAP's PNAC Consultation Documents – Second Pricing Period

Horizon Power appreciates the opportunity to provide its feedback on the information pack for the second pricing period.

Our detailed comments and recommendations on APA DEWAP's PNAC Consultation Documents – Second Pricing Period are in the table below.

Should you have any questions in relation to this submission, please contact myself on (08) 6310 1848 or sandy.morgan@horizonpower.com.au.

Yours sincerely



Sandy Morgan

Senior Manager Pilbara Network

HORIZON POWER

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Item	Clause / section reference	Comment / Issue	Recommendation
Services and Pricing Policy			
1.	Target revenue	<p>The building blocks for target revenue, as set out in section 47 of the PNAC, distinguish between the capital-related costs associated with the initial capital base and the capital-related costs associated with forecast new facilities investment. Section 54(2) of the PNAC specifically states that the capital base must not include any amount in respect of forecast new facilities investment.</p> <p>The target revenue formula in APA's Services and Pricing Policy does not separately identify the return on, and depreciation of, the initial capital base and the return on, and depreciation of, forecast new facilities investment. Section 4.3.2 and Table 7 indicate that forecast new facilities investment is being added to the capital base, in contravention of the PNAC.</p>	<p>APA's methodology is inconsistent with the PNAC.</p> <p>Disclose the target revenue to separately identify the return on, and depreciation of, the initial capital base and the return on, and depreciation of, forecast new facilities investment.</p>
2.	Target revenue	<p>Section 6.1 states that the "<i>tariff charged to Users will be adjusted to incorporate actual recorded CPI values, where CPI is calculated annually relative to the base CPI value specified in a User's ETAC</i>". A change in CPI value is not a permitted basis for increasing target revenue under the PNAC (refer section 49(2)).</p>	<p>Amend the document to clarify that the reference tariff will not increase based on the actual CPI values, although APA may negotiate this outcome, in which case, it is included in the User's ETAC.</p>

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3.	Target revenue	The formula in section 4.2 refers to the " <i>rate of return determined by the Economic Regulation Authority (ERA) under s.57 of the PNAC</i> ", but the ERA only determined the rate of return for the first pricing period.	Amend the document to correct.
4.	Rate of return	Applying APA's components to the ERA's methodology for the rate of return it seems like APA picked the rate of return that is not real pre-tax.	APA to comply with ERA methodology.
5.	New facilities investment	No information is provided on the forecast capital additions, including how they meet the new facilities investment test and the value by asset class.	Provide more information on the forecast new facilities investment, including how it meets the new facilities investment test.
6.	Non-capital costs - operating costs	The operating costs were previously disaggregated into direct costs and indirect costs. Given the very significant increase in operating costs, a similar disaggregation should be provided again.	Disaggregate the operating costs into direct and indirect costs.
7.	Non-capital costs and cost allocation principles	No justification has been provided for allocating 50% of IT & communication costs and marketing costs to the network business. The percentage does not appear to be fair and reasonable, particularly for marketing as the network is fully contracted.	Provide justification for allocating 50% of IT & communication costs and marketing costs to the network business.
8.	In-period target revenue adjustment methodology	Section 49(2)(a) of the PNAC states that the target revenue may only be adjusted for a force majeure event where: (a) the NSP is unable to, or is unlikely to be able to recover some or all of the costs under its insurance policies; and	Amend the document accordingly.

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		<p>(b) at the time of the force majeure event, the NSP had insurance to the standard of a reasonable and prudent person.</p> <p>Alinta's services and pricing policy includes the first condition but not the second.</p>	
9.	Tariff setting methodology	Section 63(3) of the PNAC states that the revenue for each reference tariff must lie between the stand-alone cost and the avoidable costs. There is no evidence in the tariff setting methodology that this has been met.	Provide evidence that the revenue for the reference tariff lies between the stand-alone cost and avoidable costs, as required by the PNAC.
10.	ADEWAP prudent discount policy	<p>Section 67(4) of the PNAC states that a tariff setting methodology must include a detailed policy setting out how the NSP will implement:</p> <p>(a) if the NSP so chooses section 67(2); and</p> <p>(b) section 67(3).</p> <p>ADEWAP's tariff setting methodology addresses section 67(2) but not section 67(3).</p>	Amend the document so that it complies with the PNAC.
11.	Typographical errors	Section 1.5 refers to the documents to be read in conjunction with the "Queueing Policy" rather than the "Services and Pricing Policy" and section 4.4 titled "Return on return" rather than "Rate of return" or "Return on capital".	Correct typographical errors
System Description			

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1.	Port Hedland Assets	<p><i>“The Port Hedland Power Station’s two sites of generation at Port Hedland and Boodarie sit around 5km apart, however they are configured, operate and are dispatched as a single power station.”</i></p> <p>The configuration and operation of generators connected to a covered network doesn’t appear relevant in the context of this document which is focused on the network itself.</p>	Clarify the context of the inclusion or remove reference to the configuration and operation of generators from this document.
2.	APA Network Capacity	From a technical and operational perspective, Horizon Power queries the validity of ADEWAP stating “no availability of firm network capacity capable of being contracted by new prospective users of the ADEWAP Network without user funded augmentation in accordance with the ADEWAP Contributions Policy available on the ADEWAP”.	<p>Reframe the presentation of network capacity in the context of a constrained access regime and expected power flow directions.</p> <p>Alinta’s proposed July 2021 ringfencing rules stated (in section 3.3) “no availability of firm network capacity being capable of being contacted to new perspective users”. Horizon Power raised this in its submission in response to Alinta’s proposed August 2021 ringfencing rules.</p> <p>Alinta then retracted this in the subsequent versions of the Alinta November 2021 Ringfencing Rules and APA proposed February 2021 Ringfencing rules.</p>



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1.	Clause 1.1	<p>The Reference Service Availability Standard has been defined as 0.98, which equates to up to 10,512 minutes per year when the service is not available. Horizon Power's applicable services standards are as set out in the Electricity Industry (Network and Reliability of Supply) Code 2005, which specifies average minutes off supply as 290 minutes per year.</p> <p>The service level appears low when the System Description indicates that the planning standard is n-1.</p>	Consider increasing the Reference Service Availability Standard to be in line with the requirements of the Electricity Industry (Network and Reliability of Supply) Code 2005
2.	Clause 4.7	Cost of annual testing of metering is a pass through amount. This is not specified in the Services and Pricing Policy	This needs to be specified in the Services and Pricing Policy
3.	Clause 11.5	The change event provisions are not consistent with section 49 of the PNAC or the Services and Pricing Policy, which sets out the materiality thresholds to apply to in-period adjustments to target revenue.	Amend the document accordingly.
4.	Clauses 25.2(a)(ii)(B) and 25.2 (b)	Errors in cross-references	Amend the document accordingly.
Contributions Policy			
1.	Section 3	Refers to "regulatory test" rather than the WA-specific "new facilities investment test" in the PNAC	Amend the document accordingly.
2.	Section 3	Refers to "regulatory asset base" rather than the WA-specific "capital base" in the PNAC	Amend the document accordingly.

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3.	Section 3	Doesn't specifically refer to no "double recovery of costs', although implied	Amend the document accordingly.
4.	Typographical errors	For example, "from to the" in section 3.	Amend the document accordingly.
Planning Standards			
1.	Typographical errors	For example, "requirements of 2.5 of the HTR" in section 1.2, reference to APA NPC versus ADEWAP NPC in section 3 and consistency of presentation of numbered points in section 5.	Amend the document accordingly.
User Access Guide			
1.	Contact details	The User Access Guide provides contact details for preliminary enquiries (section 3.1) and connection enquiries (section 4.1) but not for access applications.	Amend the document accordingly.
2.	Preliminary enquiries	<p>Section 3 indicates that an applicant must undertake preliminary enquiries stage. For example:</p> <ul style="list-style-type: none"> • under the heading "Section 3 (Stage 1: Preliminary enquiry & concept)" (top of page 11) that <i>"the ADEWAP connection process commences with a preliminary enquiries stage"</i>; and • under the heading "3.1 Preliminary enquiry" that <i>"ADEWAP requires prospective applicants to the APA Network to contact ADEWAP with preliminary enquiries before making a connection enquiry request"</i> 	Amend the document accordingly.

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		These sections conflict with section 70(2)(a) of the PNAC, which states that the NSP must <u>not</u> require an applicant to make preliminary enquiries before making an access application.	
3.	Reasonable costs	Section 3.4 states that ADEWAP performs work for connection enquiries on a full cost recovery basis, but provides no information on rates etc.	Amend the document accordingly.
4.	Reasonable costs	Basis for determining reasonable costs for further investigations not specifically stated (refer section 4.5).	Amend the document accordingly.
5.	Queuing	<p>Section 5.1 states "<i>Following receipt of the applicant's completed Connection Application Form, ADEWAP will advise the connection applicant in writing that the application has been received and whether there is a queue and their place in the queue as soon as reasonably practicable.</i>"</p> <p>However, the Queuing Policy states "<i>Upon lodging a formal connection application and the payment of a deposit for undertaking the modelling works described below, an applicant will be advised by letter of:</i></p> <ol style="list-style-type: none"> <i>1. their position in the queue; and</i> <i>2. all other applications whose satisfaction, delay or progression might affect the timing or terms of access.</i>" 	Amend the document accordingly.



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		<p>This is inconsistent with User Access Guide as the Queuing Policy implies that the applicant will enter the queue when they lodge a connection application and payment of deposit for modelling works (as opposed to submitting a completed Connection Application Form).</p>	
6.	Section 6.1	<p>This section states <i>“A cost estimated to fall within the range of \$30,000-\$50,000 (ex GST) is payable by the applicant to finalise connection acceptance. This fee is charged to recover costs associated with account and invoicing setup, IT meter data capture and operational power station configuration, noting that any major cost items associated with connection works will be captured by the ADEWAP Contributions Policy or included within an early works agreement.”</i></p> <p>It is unclear why:</p> <ul style="list-style-type: none">• a network is charging an applicant for power station configuration works. Is this referring to ADEWAP configuring their own power station? Or a connecting generator performing HTR compliance tests? For new generators Horizon Power would expect this be captured under the construct and commission phase.	Amend the document accordingly.



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		<ul style="list-style-type: none"> applicant/user would be liable for such a substantial cost to finalise connection acceptance given that applicant/user will be liable for tariffs (under the access contract) and connection works (under separate agreement). This appears to be against the requirements of section 42(2)(c) of the PNAC, in that the interests of the user and the NSP are not balanced. 	
7.	Termination	Section 7 does not indicate that the notice of termination invites the applicant to provide information to demonstrate why a dormant application should not be terminated.	Amend the document accordingly.
8.	Termination	Section 7 allows ADEWAP to terminate an application if it has not progressed and is not in the queue, and in the intervening period another application has progressed such that the ADEWAP modelled network conditions will significantly change. It is not clear that the minimum 3 year period applies.	Amend the document accordingly.
9.	Termination	Section 7 does not specifically state that an application cannot be terminated if the lack of progress is due to the NSP.	Amend the document accordingly.



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10.	Connection offer	Section 6.1 states that ADEWAP will issue an access offer within 1-2 months of completion of the Application to Connect. ADEWAP specifically states that this stage does not commence until all modelling is complete and approved, which implies that no further investigations are required. PNAC (clause 42(5)) indicates that this period should be no more than 30 business days.	Amend the document accordingly.
11.	Expedited process	No reference to an expedited process as required by PNAC clause 42(7), although section 2.4 states that timeframes are indicative and an alternative timeframe can be agreed.	Amend the document accordingly.
12.	Typographical issues	For example, "ADWEAP" in section 2.4, "by the applicant and its own cost" and "It intended" in section 3.3, "HTR 4.2.4" in section 6.2, "within the prescribed within 20 business days" in section A.4, and "SA-SNZ" in Schedule 1.	Amend the document accordingly.
Queueing Policy			
1.	Typographical errors	Figure 11 should be Figure 1 and cross reference to diagram is incorrect (Figure 111).	Amend the document accordingly.