



29 January 2024

Horizon Power

Sent by email to: Pilbara@horizonpower.com.au

Re: Horizon Power – PNAC Consultation Documents – Second Pricing Period

APA Group (APA) appreciates the opportunity to comment on documents Horizon Power is required to undertake public consultation on and to publish under the Pilbara Networks Access Code 2021 (PNAC).

On 1 November 2023, APA proudly acquired Alinta Energy Pilbara Holdings Pty Ltd and Alinta Energy (Newman Storage) Pty Ltd (Alinta Energy Pilbara). The portfolio of Alinta Pilbara assets includes Alinta Duke Energy Western Australia Power Pty Ltd (ADEWAP) assets. ADEWAP is the Network Service Provider for the Port Hedland network.

ADEWAP has an access arrangement with Horizon Power for the transportation of electricity along the Horizon Power coastal network. As a customer, APA is interested in the proposed prices and services for use of the Horizon Power coastal network.

ADEWAP is the Network Service Provider for the ADEWAP network which, like, Horizon Power's coastal network is a covered network and subject to the light-handed access regime set out in the PNAC. ADEWAP will be commencing consultation on their services and pricing policy and other documents in the next few months.

APA supports Horizon Power's access, pricing and services policy documents. Our comments on the proposed amendments are to seek more information and clarity about definitions, and reasons for the proposed changes.

In particular, APA is seeking more information on the:

- Methodology for the allocation of costs from Horizon Power (parent) to the Horizon Power coastal networks. In particular, the method for allocating shared corporate operating costs;
- Reason for the increased in capital contribution repayment threshold from \$25,000 to \$10,000,000; and
- Proposed amendments to the definitions of forecast costs.

More detailed comments are set out in Appendix A.





Thank you for your consideration of APA's submission. If you would like to discuss this submission, please contact me at beth.griggs@apa.com.au or Anthony Ravi, Head of Commercial at anthony.ravi@apa.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Beth Griggs', with a stylized flourish at the end.

Beth Griggs
General Manager
Economic Regulatory & External Policy

Appendix A: APA detailed comments

Item	Clause/ section reference	Comment/ issue	Recommendation
Document A – Reference services			
1	Section 6. Reference services (entry services)	<p>Horizon Power has added a requirement for their three 'entry services' that electricity does not transfer out of the Horizon network more than 20% of the time.</p> <p>The basis for selecting 20% as the cut-off has not been explained.</p>	Clarify the basis for selecting 20% as the requirement for an entry service.
Document B – Price list 2024-25			
1		No comments	
Document C – Tariff-setting methodology			
1	Table 7.9: Forecast total operating costs	<p>Shared corporate operating expenditure makes up 45% of total operating expenditure.</p> <p>APA would appreciate an explanation of the cost allocation method applied to shared corporate and other operating and capital costs.</p>	Explain the methodology for apportioning shared costs to the Pilbara network.
Document D – Contributions policy			
1	<p>Table 2 Document defined terms</p> <p>Forecast costs. The definition of forecast costs is expanded from "any or all of the new facilities investment and non-capital costs forecast to be incurred by Horizon Power with regard to the works"</p> <p>to include</p> <p>"The forecast costs may include a reasonable margin on costs for which Horizon Power will not receive, or has not received, a return on</p>	<p>We are seeking further information about the meaning and rationale for this margin.</p> <p>We note the amendments to the definition of 'forecast costs' relate to Section 3 Who This Policy Applies to, and to Section 11 Obligations to provide information.</p> <p>Further comments are provided below.</p>	Refer to comment below.

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	capital as part of its target revenue.		
2	<p>Section 3 Who This Policy Applies to</p> <p>An applicant is required to pay a contribution for any works in any (including any combination of) the following circumstances:</p> <p>(a) in the case of new facilities investment, where the forecast costs for the relevant works exceeds the anticipated incremental revenue from those works, any net benefits that reasonably justify higher reference tariffs and any costs <u>that would otherwise be incurred</u> to maintain the safety or reliability of the covered Pilbara network or its ability to provide contracted covered services;</p> <p>(b) in the case of works related to alternative options, where the non-capital costs associated with such works exceeds the anticipated incremental revenue from those works, any net benefits that reasonably justify higher reference tariffs and any costs <u>that would otherwise be incurred</u> to maintain the safety or reliability of the covered Pilbara network or its ability to provide contracted covered services.</p>	<p>The amendments (yellow highlight) seem to be allowing for a margin for costs that have not been incurred.</p> <p>If this is the case, we question the rationale for this amendment.</p> <p>Without further explanation we do not support this amendment.</p> <p>We support the original wording where forecast costs include costs to maintain safety or reliability of the covered Pilbara network.</p>	<p>Retain the 2021 wording.</p> <p>APA does not support this amendment.</p>
3	<p>Section 6.3 Applicant must provide security for new revenue</p> <p>Clause 6.3(a) Where the allocated forecast costs are greater than \$50,000, Horizon Power may require</p>	<p>No concerns with these minor amendments.</p>	<p>No concerns with these minor amendments</p>

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	<p>an applicant to provide security under this clause, in addition to the payment of a contribution, if Horizon Power determines there to be a risk of not receiving the estimated new revenue.</p> <p>Clause 6.3(d)(ii) [in relation to abatement of risk}... Horizon Power may reduce the amount of the security by requiring a new security for the reduced amount. Horizon Power will return the security following receipt of the new security.</p>		
4	<p>Section 9.2 When applicant may choose contribute via periodic payment</p> <p>The threshold for negotiation of periodic payments is proposed to be increased from \$25,000 to \$10,000,000.</p>	<p>The amendment allows for Horizon and the applicant to negotiate periodic payments for the capital contribution.</p> <p>APA supports the change to allow negotiations.</p> <p>However, APA questions the reasonableness of the significant increase in the threshold from \$25,000 to \$10 million.</p> <p>Horizon Power has not provided an explanation for the 400 fold increase in the threshold.</p> <p>APA is seeking more information on the rationale for this significant increase.</p>	<p>The increase in the threshold to \$10 million at which periodic payments for capital contributions can be negotiated is not supported without further explanation about the need for such a big increase.</p>
5	<p>Section 10 Rebates and recoupment</p> <p>Clause 10.1 (e) The amount of a rebate given to a user or customer under clause 10.1(a), (b) or (c) is determined by apportioning the amortised contribution paid in respect of the original connection point</p>	<p>The proposed amendments establish different rebate policies for original capital contributions up to \$25 million and \$25 million and over.</p> <p>APA would appreciate explanation for the rationale for the \$25 million threshold.</p>	<p>Supported but APA would appreciate explanation for the rationale for the \$25 million threshold.</p>

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	<p>between the user or customer associated with the original connection point and each subsequent applicant based on the relative contracted capacity of each party, where the contribution is amortised completely in a straight line:</p> <p>(i) if the value of the original contribution was up to \$25,000,000, over 10 years; or</p> <p>(ii) if the value of the original contribution was greater than \$25,000,000, over a period that is negotiated based on the term for repayment of the contribution and the remaining life of the asset.</p>		
Document E – User access guide			
1	<p>Table 1.1 Document abbreviations.</p> <p>Abbreviation ‘DSOC’ is not explained</p>	<p>The abbreviation DSOC is used in Appendix A – Queuing Policy.</p> <p>The meaning of the abbreviation ‘DSOC’ is not provided.</p> <p>To ensure clarity about the queuing arrangements it would be beneficial for the DSOC abbreviation to be explained.</p>	Explain the meaning of the abbreviation ‘DSOC’.
2	<p>Table 1.2 Document defined terms.</p> <p>Competing contract is defined as “has the meaning given in Section 11.3.”</p>	<p>Section 11.3 does not clearly explain what a competing offer is.</p> <p>Section 11.2 refers to mutually exclusive competing applications.</p> <p>So, is the intended meaning for competing offer – that the offers are not mutually exclusive?</p>	Explain the meaning of competing offer.

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3	<p>Section 4.6 Pilbara ISO's Interim Access and Connection Procedure</p> <p>New section to reflect that the Pilbara ISO has published the Interim Access and Connection Procedure.</p>	Addition of this new section is supported.	Addition of this new section is supported.