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CORPORATION LTD

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Mr Robert Pullella
Executive Director
Economic Regulation Authority of WA
GPO Box 8469
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Dear Sir

WESTERN POWER'S REVISED ACCESS ARRANGEMENT

Aviva Corporation welcomes the opportunity to comment on Western Power's proposed revised Access Arrangement.

Background

Aviva is well advanced on plans to build its 400MW Coolimba Power Station, located just south of Eneabba in the Mid-West region. The project will be the first carbon capture ready coal-fired power station in Western Australia and will deliver competitive power into the South West Interconnected System (SWIS), supplying major industrial loads as well electricity retailers.

The Coolimba project will provide a new major generation and fuel source to the north of Perth, balancing the supply from the Collie Basin and providing added security and diversity to power supplies in the south west of the State.

In addition the Coolimba project will provide net transmission benefits by reducing substantial line losses from power delivered from generation in the south – mainly Collie and Kwinana, and providing a stable North Country grid which will facilitate additional renewable / intermittent generation sources to be safely added to the network.

Integral to meeting the project's timetable for commissioning in 2013/14 is its ability to connect to the SWIS which requires both a connection agreement and the completion of the planned upgrade of the existing electricity transmission infrastructure from 132kV to 330kV. Aviva has supported

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Western Power's decision to up-grade the existing line and has also supported its funding through the regulatory process.

General Comments on Proposed Revised Access Arrangement

While Aviva welcomes and supports the efforts of Western Power to invest in the up-grade of the existing 132kV line, we have been disappointed in that the Queuing Policy in the existing Access Arrangement, or Western Power's interpretation of it, has led to inordinate delays and policy inertia in regards to assessing potential connections to the existing and proposed Mid West transmission lines.

Aviva believes that the proposed Queuing Policy, while attempting to improve some of the existing shortcomings, still doesn't address some fundamental policy issues in regard to processing applications for network connection.

In our view, the Queuing Policy results in the State's electricity network infrastructure being inefficiently utilised because the Queuing Policy is essentially a bureaucratic process driven by a perceived need to allocate the time of Western Power system planners and analysts to process applications rather than assess the best use of the infrastructure to achieve optimum outcomes and rational investment decisions by generators, loads and the network operator.

Specific Comments

1. The underlying premise of the Queuing Policy is based on "first come first served". While this may seem reasonable, its original intention was primarily to accommodate like applicants competing to connect at the same point for available capacity. It provides a means for Western Power to determine prioritisation when all else is equal.
2. It has become, however, more a means of allocating the time of system planners to do studies for particular applicants when there are multiple applicants to a section of the network, which is not necessarily a rational way to address the allocation of spare capacity on the network.
3. It is our view that "first come first served" should only be used as a default position, for competing connection applications where everything else – in terms of potential impacts on the network to be considered – is equal.
4. Where there are multiple applicants, particularly to a section of the network which is either undergoing rapid economic growth, and/or

where new network infrastructure is being built, then the “first come first served” principle is not a rational mechanism in allocating capacity.

5. In those situations, it is usual that the applicants for connection are not all the same – for instance, the obvious difference is between a load and a generator.
6. But even within the category of generators, there are significant differences – intermittent (mainly wind), peaking, base load and intermediate – and they all have different impacts on the system – depending on location and proposed plant running profile. Some may provide network advantages at a particular location (eg embedded generation), while others, such as intermittent generators clearly put additional stresses on the system, often requiring additional network reinforcement (eg voltage support) because of their unpredictable despatch.
7. The management of the applications for capacity to Western Power’s North Country region (the Mid West region of WA) has highlighted the deficiencies of the existing Queuing Policy, because in treating all applicants as the same in terms of impacting on the network, but only processing them according to the “first come first served” principle, Western Power’s access branch has run into immediate difficulty as the majority of applicants at the top of the queue are intermittent generators. This means that a large amount of available capacity is being allocated as the system studies are processed according to positions in the queue, for a poor result in terms of efficient use of the network.
8. In fact pursuing that policy to its logical conclusion may mean that certain loads wanting to connect may not actually be able to be connected, because the theoretical capacity has already been taken up by the intermittent generators. This is a perverse outcome, because the system actually needs loads to absorb overnight generation, particularly from intermittent/wind generators, which in turn would allow more generation to connect, and so on.
9. The current Queuing Policy also allows proposed projects to sit in the queue for long periods of time without a commercial trigger to force these projects to recommit or reconsider if they wish to be in the queue.
10. Our own proposed Coolimba power station, because of its location at the heart of the North Country, and because it is a base load generator, with base load customers, would also provide similar system benefits and would also enable the connection of more intermittent generators, but it too can only be considered on the basis of “first come first served”.

11. The by-pass provision does provide one mechanism to put aside the “first come first served’ principle, but it is still not based on a rational or efficient allocation of capacity. It provides for generators essentially competing for the same load to be treated equally by Western Power in terms of processing applications for connection. This provision does go some way towards a more commercial or market-based approach to allocation of capacity, but is seen as “exceptional” rather than the norm.
12. In our view, a new approach is needed which has as its aim the efficient use of network infrastructure. This should be the overarching principle which guides the Queuing Policy. After all, the State, and ultimately network users, provide the significant capital funds for network use, maintenance and expansion, and that investment should produce optimum outcomes in terms of network utilisation and efficient use of capital.
13. The example of the North Country shows that the current policy produces inefficient outcomes, so that additional expenditure may be required to fix the perverse outcomes of the Queuing Policy – which places a burden on the State and all users ultimately.
14. Our other major concern with the Queuing Policy is that it is divorced from the WA electricity market. The by-pass provision does go partially some way to recognising that there is actually an electricity market in WA, but as mentioned before, it is an exception rather than the rule.
15. In the WA electricity market new power projects require certification from the Independent Market Operator (IMO) in order to participate in the market, and IMO requires that the generator has an access offer from Western Power before it can get certified. IMO seeks expressions of interest for generation capacity (existing and new) to meet system requirements on a two-yearly plan ahead basis. The Queuing Policy does not mesh at all with IMO’s requirements, so that the electricity market requirements are subservient to Western Power’s Queuing Policy, and not the other way around.
16. In the National Electricity Market (NEM), the network operator does not use a first come first served policy, but connects all applicants who then take the risk that there is sufficient capacity to enable despatch. This may not work in WA, given that we have a bilateral electricity market rather than a gross pool, but it does show that the network operator should be aligned with the market requirements and not base its connection policies on its own bureaucratic requirements.
17. Accordingly, a rational Queuing Policy for WA should recognise the priority of bilateral arrangements between generator and load – or at least that the parties are advanced in finalising those arrangements. This in turn would complement the principle we are putting forward that

the Queuing Policy should be primarily about efficient use of the network, and the market is usually the best arbiter of efficiency.

18. It is not up to Aviva to devise a new Queuing Policy – that is Western Power's job, but clearly some guiding principles need to be followed that put efficient use of the network, and alignment with the electricity market ahead of bureaucratic process.

Conclusion

Aviva believes that the existing and proposed Queuing Policy in Western Power's Revised Access Arrangement does not lead to efficient use of the network, and therefore produces poor investment decisions by all parties.

Not only that, but in practice, at least as far as the North Country experience is concerned, the Queuing Policy has been a failure in terms of simply processing applications in a timely manner. Individual applicants such as Coolimba have been waiting for an inordinate length of time for their applications to be processed. Again, it points to the need to have a more commercially based policy which is tied to the market and which also looks at all proposed connections – particularly where a section of the network is concerned, and not just a single point of connection - based on their impact on the network, and how they interact with one another.

Aviva proposes that Western Power be asked by the Economic Regulation Authority to revise its proposed Queuing Policy to reflect the overriding aims of maximising efficient use of the network and alignment with the electricity market. In our view, the market invariably makes the more efficient investment decisions and should drive the Queuing Policy, and not the other way round.

Should you wish to discuss this submission further, we would be pleased to meet at your convenience.

Yours sincerely

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General Manager Development