



Economic Regulation Authority

# Determination on the ringfencing rules for the Port Hedland electricity network

16 May 2024

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We acknowledge their continuing connection to culture and community, their traditions and stories. We commit to listening, continuously improving our performance and building a brighter future together.

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# Contents

**Decision ..... 1**

## Decision

The *Pilbara Networks Access Code* sets out the light-handed access regime that facilitates third-party access to covered networks in the Pilbara region.

Currently two networks are covered under the Code. Both networks form part of the North West Interconnected System:<sup>1</sup>

- The Horizon Power coastal network, which is owned and operated by Horizon Power.
- The Port Hedland network, which was owned by and operated by Alinta Duke Energy WA Power Pty (ADEWAP), a subsidiary of Alinta Energy, at the time it elected to be covered.<sup>2</sup> This network was acquired by APA Group on 1 November 2023.

The Horizon Power coastal network is about 1,925 km in length. It comprises transmission and distribution assets and provides services to around 16,000 customers across the townships of Karratha, Roebourne, Point Samson and Port Hedland.

The Port Hedland network comprises three 66kV transmission lines with a combined length of about 22.5 km of which:

- Two lines connect the Port Hedland Power station (now owned by APA and previously Alinta) to the Horizon Power network substations of Wedgefield and Murdoch.
- A single line runs between and connects the Port Hedland Power Station's two sites of generation (at Port Hedland and Boodarie).<sup>3</sup>

The Port Hedland network does not include any distribution assets. It currently supplies electricity to two large iron ore mining operations in Port Hedland and provides a spinning reserve service to the North-West Interconnected System. There is also a power purchase agreement in place with Alinta Sales that was set up when Alinta owned the network. However, no energy has been or is currently supplied under this agreement.<sup>4</sup>

The Code requires covered network service providers to submit ringfencing rules to the ERA for approval.

The purpose of the ringfencing rules is to ensure that vertical integration of the covered network with other businesses does not lead to a reduction in competition in generation and retail markets. The ringfencing requirements are set out in Chapter 8 of the Code. The rules must ensure that:

- Commercially sensitive information that is received by the network business is not used outside of the network business or for a purpose other than the purpose for which the information was acquired or developed.
- Charges paid by users of the network include only network costs.

<sup>1</sup> The North-West Interconnected System (NWIS) comprises interconnected electricity generation, transmission and distribution assets linking Port Hedland and Karratha and extends inland through Rio Tinto's network. The Rio Tinto network is not covered. A map of the NWIS and additional information can be found [here](#).

<sup>2</sup> Alinta elected for the Port Hedland network to be covered. The Horizon Power network was determined to be covered by the Minister for Energy following consideration of an application lodged by Alinta for the Horizon Power network to be covered.

<sup>3</sup> APA (previously Alinta) is also currently constructing a solar farm and battery energy storage system that will connect into the Port Hedland Power Station.

<sup>4</sup> As a result of the change in ownership, this power purchase agreement is now with an unrelated party rather than an associate.

- The network business does not discriminate against competitors or in favour of its own, or associates, generation or retail businesses.

The requirements allow for flexibility, recognising that the structure and nature of network service providers' businesses differ substantially.

The initial ringfencing rules for the Port Hedland network and Horizon Power coastal network were approved by the ERA on 21 January 2022. At that time, Alinta DEWAP Pty Ltd, a subsidiary of Alinta Energy Pty Ltd, owned the Port Hedland electricity network.

In November 2023, the Port Hedland electricity network, along with the other electricity assets in the Pilbara owned by Alinta Energy, was sold to the APA Group. The Port Hedland network continues to be owned by the same entity, but its name has changed from "Alinta DEWAP Pty Ltd" to "APA DEWAP Pty Ltd" and is now a subsidiary of APA Group Ltd rather than Alinta Energy Pty Ltd.

On 1 February 2024, APA DEWAP submitted proposed amendments to the ringfencing rules for the Port Hedland network. The proposal is based on the previously approved rules with minor amendments to reflect the change in ownership.

When APA submitted the proposed amendments, it was still considering who would fill the role of Compliance Manager. It subsequently advised that the role will be undertaken by the APA General Manager Economic Regulation and External Policy who is responsible for all of APA's ringfencing compliance and reporting obligations.

The proposed amendments were published for consultation to identify if there were any issues that concerned stakeholders. One submission was received from Horizon Power:

- It considered there would be value in requiring an annual independent audit of compliance with the entire ringfencing rules in addition to the annual independent audit of the cost allocations that is currently required under rules.
- It queried the location of the role of the compliance manager within the organisational structure – which was not known at the time of the consultation.

The initial rules approved by the ERA in January 2022 were subject to a detailed review and consultation. This included significant input from both Horizon Power and Alinta on the level of controls that was required in the rules.

Apart from now being a subsidiary of the APA Group rather than Alinta Energy, the operation of the Port Hedland network and generation assets is essentially unchanged. No enquiries or applications for access have been received before or since the change of ownership.

The ERA considers the rules approved in January 2022 include sufficient oversight by the compliance manager to ensure:

- Commercially sensitive information that is received by the network business is not used outside of the network business or for a purpose other than the purpose for which the information was acquired or developed.
- The network business does not discriminate against competitors or in favour of its own, or associates, generation or retail businesses.

The cost of requiring an annual independent audit, as suggested by Horizon Power, is not warranted given the small size and nature of the Port Hedland network.

The ERA considers the APA General Manager Economic Regulation and External Policy will have the expertise required for undertaking the role of Compliance Manager and is sufficiently removed from the operations to be able to maintain an independent view.

Given the short period of time since the initial rules were established, the small size and nature of the Port Hedland network and that there have been no access seekers, the ERA considers it reasonable to essentially maintain the previously approved rules with the minor changes to reflect the change in ownership.

The ERA is satisfied that the proposed amended ringfencing rules submitted by APA DEWAP effectively address the requirements in Chapter 8 of the Code and has made a determination to that effect as required under section 135(4)(a).

As required under section 139(3) of the Code, APA DEWAP must publish the approved ringfencing rules within 10 business days of the date of this decision.