



## **Stanwell Corporation Limited & Diamantina Power Station Pty Limited – applications for authorisation A91448 & A91449 – Interim authorisation decision 1 October 2014**

### **Decision**

The Australian Competition and Consumer Commission (the ACCC) has granted interim authorisation in respect of the applications for authorisation lodged by Stanwell Corporation Limited (Stanwell) & Diamantina Power Station Pty Limited (Diamantina) on 29 August 2014.

Interim authorisation is granted to enable participants in the North West Power System (NWPS) to agree to rules relating to the coordination of electricity dispatch schedules at electricity generators in the NWPS as described at Schedule 1 of this Statement of Reasons.

Interim authorisation commences immediately and remains in place until it is revoked or the date the ACCC's final determination comes into effect.

### **The applications for authorisation**

Stanwell and Diamantina are seeking authorisation for participants in the NWPS to agree to rules relating to the coordination of electricity dispatch schedules at electricity generators in the NWPS. The rules also cover protocols for demand management, sharing reserve capacity, load shedding in situations where supply cannot meet demand, and connecting new generation capacity to the NWPS.

The NWPS is an electricity generation and transmission network centred in Mount Isa, Queensland. The system services surrounding mining operations as well as residents and businesses in Mount Isa and Cloncurry. Due to its isolation, the NWPS is not connected to the National Electricity Market (NEM) grid that services most of eastern Australia.

Until now, Stanwell has been the sole generator supplying electricity to the NWPS. A new generator, owned by Diamantina, was recently commissioned and is expected to come online in stages over the second half of 2014. This means there will be two generators supplying customers in the NWPS. Stanwell and Diamantina submit that this will require them to coordinate the supply of electricity into the NWPS as well as the consumption of large quantities of electricity by mining operations. They submit that this coordination is necessary to ensure the safe and efficient operation of the NWPS.

Authorisation is also sought for all major current and future participants in the NWPS to agree the rules. Current major participants in the NWPS are Stanwell and Diamantina, Ergon Energy Corporation which owns the NWPS network infrastructure, its wholly owned subsidiary Ergon Energy Queensland which is the local electricity retailer and the other major customers on the NWPS with an aggregate connected load greater than 10MW, being mine operators Mount Isa Mines and MGM Century.

The key agreement to the proposed arrangements is the Dispatch Protocol, which sets out the terms and conditions on which all of the signatories will coordinate the supply and consumption of electricity across the NWPS, as well as terms and conditions pertaining to other parties entering the NWPS.

Stanwell and Diamantina are not seeking authorisation for the entire Dispatch Protocol document. They have identified the specific arrangements forming part of the Dispatch Protocol for which they are seeking authorisation. These arrangements are described at Schedule 1 to this Statement of Reasons.

### **The authorisation process**

Authorisation provides protection from legal action for conduct that may otherwise breach the competition provisions of *Competition and Consumer Act 2010* (the Act). Broadly, the ACCC may grant authorisation if it is satisfied that the benefit to the public from the conduct outweighs any public detriment, including from a lessening of competition. The ACCC conducts a public consultation process to assist it to determine whether a proposed arrangement results in a net public benefit.

### **Interim authorisation**

Section 91(2) of the Act allows the ACCC to grant interim authorisation where the ACCC considers it appropriate to allow the parties to engage in the conduct while the ACCC is considering the substantive application for authorisation.

Stanwell and Diamantina request interim authorisation on the basis that Diamantina is scheduled to commence supplying generation into the NWPS in a manner that will require coordination of supply through the Dispatch Protocol in early October 2014.

To date Diamantina has only been supplying generation to one customer, Mount Isa Mines. This dispatch is at Mount Isa Mines direction and is generally treated as Mount Isa Mines embedded generation. Therefore, there has been no need to coordinate dispatch between Diamantina and Stanwell. From early October Diamantina proposes to commence supplying Generation to both Mount Isa Mines and Ergon Energy and will therefore need to manage its dispatch into the NWPS for both its customers (i.e. it will no longer be appropriate for Mount Isa Mines to manage Diamantina's dispatch given it will no longer be its only customer).

### **Consultation**

The ACCC sought submissions from 39 interested parties potentially affected by these applications, including participants and customers in the NWPS, industry associations, regulatory agencies, and participants in the NEM.

Further information in relation to the application for authorisation, including any public submissions received by the ACCC as this matter progresses, may be obtained from the ACCC's website [www.accc.gov.au/AuthorisationsRegister](http://www.accc.gov.au/AuthorisationsRegister).

### **Reasons for decision**

In granting interim authorisation, the ACCC has taken into account that:

- The arrangements will promote greater quality and reliability of supply, system security and safety within the NWPS.
- Without interim authorisation it is unlikely that the parties will enter into the agreements unless and until the ACCC decides to grant authorisation. This would likely mean either:

- Diamantina would not be able to supply the same level of generation to the NWPS as it would with the Dispatch Protocol in place, or
- alternative arrangements for Diamantina to supply generation into the NWPS would need to be made but without the same level of coordination of dispatch between Diamantina and Stanwell, potentially leading to lower quality and reliability of supply and lower system security and higher risk of disruption to supply.

### **Reconsideration of interim authorisation**

The ACCC may review the interim authorisation at any time. The ACCC's decision in relation to interim authorisation should not be taken to be indicative of whether or not the substantive authorisation will be granted.

# **Schedule 1**

## **a) Operational control**

The Major Generators agree the Generation Co-ordinator will co-ordinate the dispatch of electricity as required, to maintain system frequency, voltage and reactive power flows and time error control for the NWPS, in order to ensure that they are able to meet their contractual obligations to their customers.

## **(b) Generation capacity**

At any time the Major Generators will each have in service sufficient capacity to supply all the loads contracted and forecast by their respective offtakers and offtaker's customers. At any time the Major Generators will each have in service spinning capacity and reserve plant margin as required under agreements with their respective offtakers.

## **(c) New load**

The Participants agree new loads or network extensions will be permitted if:

- (i) the new load or network extension complies with the prescribed technical requirements; and
- (ii) the prescribed system studies show that the proposed new load or network extension will not adversely impact the safety, reliability and quality of electricity supply in the NWPS and of its Participants; or
- (iii) if the studies identify an adverse impact on the safety, reliability and quality of electricity supply, the entity seeking the new load or network extensions addresses those issues to the satisfaction of the Working Committee acting honestly and reasonably before connecting.

## **(d) New generation capacity**

The Participants agree that additional generation capacity will be permitted to connect to the NWPS if:

- (i) the entity seeking to connect complies with the prescribed technical requirements; and
- (ii) the prescribed system studies show that the proposed generation will not adversely impact the safety, reliability and quality of electricity supply in the NWPS and of its Participants; or
- (iii) if the studies identify an adverse impact on the safety, reliability and quality of electricity supply, the entity seeking to connect addresses those issues to the satisfaction of the Working Committee acting honestly and reasonably before connecting.

## **(e) Starting large load**

The Participants will agree an approval procedure for permitting connection of large loads. In accordance with this procedure, Major Generators agree that they will not supply electricity to large individual loads rated greater than 3MW, or loads with an instantaneous apparent power demand during starting greater than 10MVA, without the approval of the Generation Co-ordinator except in certain limited circumstances.

**(f) Load shedding**

The Participants will agree a system of load shedding following a generation shortfall whereby the Major Generators will cease supply to offtakers in accordance with the agreed system.

**(g) Reconnection of load following a load shed event**

The Major Generators agree to recommence supply to offtakers following a load shed event at the direction of the Generation Co-ordinator.

**(h) Arrangements in relation to EEQ**

The Major Generators agree that EEQ is to be given priority of dispatch from DPS generation.

**(i) Participants must be signatories to the Dispatch Protocol**

The Major Generators agree that they will only:

- (i) supply electricity to offtakers; and
- (ii) permit new generators to connect to the NWPS,

if those offtakers and/or new generators are signatories to the Dispatch Protocol as amended from time to time.

**(j) Amendments to particulars**

The Participants in the Dispatch Protocol are bound by amendments to the Dispatch Protocol, provided those amendments are consistent with the principles set out in paragraphs 1 - 9, and do not otherwise constitute a new contract, arrangement or understanding, in breach of the CCA.

***Interpretation***

All capitalised terms in this Schedule 1 have the same meaning as set out in the 'Definitions' section of the draft North West Power System Dispatch Protocol that was provided to the ACCC with the applications for authorisation A91448 & A91449.