MinterEllison
LAWYERS

29 August 2014

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Dr Richard Chadwick
General Manager Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

Dear Richard

North West Power System - Dispatch Protocol

We refer to our recent teleconference and the ACCC's letter of 25 July 2014 granting Diamantina Power Station Pty Ltd and Stanwell Corporation Ltd a fee waiver in respect of applications for authorisation of arrangements previously the subject of applications for authorisation A91412 and A91413.

We now **enclose**:

(a) a revised Form A: Exclusionary Provisions and Associated Cartel Provisions;

(b) a revised Form B: Agreements Affecting Competition or Incorporating Related Cartel Provisions;

(c) a public version of the submission in support of the authorisation applications; and

(d) a copy of the ACCC's fee waiver letter dated 25 July 2014.

A confidential version of the submission in support of the authorisation applications will be provided under separate cover.

We also **enclose** for the Commission's assistance in considering the applications:

(a) a revised annotated Schedule 1 to the submission;

(b) the final Dispatch Protocol as agreed by the participants;

(c) a compare of the final Protocol to the version provided in February 2014; and

(d) a short note identifying the key changes between the version of the Protocol provided in February and the final version.

If you have any questions or require any further information, please do not hesitate to contact us.

Yours faithfully
MINTER ELLISON

Contact: Kathryn Finlayson Direct phone: +61 7 3119 6380 Direct fax: +61 7 3119 1380
Email: kathryn.finlayson@minterellison.com
Partner responsible: Mark Carkeet
Our reference: KEXF MLC 40-7535308

enclosure

Copy to Vishal Ahuja Vishal.Ahuja@au.kwm.com

Form A

Commonwealth of Australia

Competition and Consumer Act 2010 – subsections 88 (1A) and (1)

EXCLUSIONARY PROVISIONS AND ASSOCIATED CARTEL PROVISIONS:

APPLICATION FOR AUTHORISATION

To the Australian Competition and Consumer Commission:

Application is hereby made under subsection(s) 88 (1A)/88 (1) of the *Competition and Consumer Act 2010* for an authorisation:

- to make a contract or arrangement, or arrive at an understanding, a provision of which would be, or might be, a cartel provision within the meaning of Division 1 of Part IV of that Act and which would also be, or might also be, an exclusionary provision within the meaning of section 45 of that Act.
- to give effect to a provision of a contract, arrangement or understanding that is, or may be, a cartel provision within the meaning of Division 1 of Part IV of that Act and which is also, or may also be, an exclusionary provision within the meaning of section 45 of that Act.
- ~~to make a contract or arrangement, or arrive at an understanding, where a provision of the proposed contract, arrangement or understanding would be, or might be, an exclusionary provision within the meaning of section 45 of that Act.~~
- ~~to give effect to a provision of a contract, arrangement or understanding where the provision is, or may be, an exclusionary provision within the meaning of section 45 of that Act.~~

(Strike out whichever is not applicable)

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. Applicant

(a) **Name of Applicant:**

(Refer to direction 2)

A91448

Stanwell Corporation Limited (ABN 37 078 848 674) (**Stanwell**)

Diamantina Power Station Pty Limited (ABN 55 149 762 176) (**DPS Co**)

(b) **Description of business carried on by applicant:**

(Refer to direction 3)

Stanwell carries on the business of generating and supplying electricity in the North West Queensland Power System (**NWPS**).

Stanwell, through its subsidiaries, Mica Creek Pty Limited and SCL North West Pty Ltd, is the owner and operator of the Mica Creek Power Station. The Mica Creek Power Station is currently the primary generator and supplier of electricity in the NWPS.

DPS Co is the developer of the Diamantina Power Station and the Leichhardt Power Station. Upon commissioning of DPS and LPS, it is expected that DPS Co will become the primary generator and supplier of electricity in the NWPS.

DPS Co is a 50/50 joint venture between AGL Energy Limited and APA Group.

(c) **Address in Australia for service of documents on the applicant:**

Stanwell	DPS Co
Mark Carkeet	Vishal Ahuja
Partner	Partner
Minter Ellison Lawyers	King & Wood Mallesons
Level 22, Waterfront Place	Level 61, Governor Phillip Tower
1 Eagle Street	1 Farrer Place
BRISBANE QLD 4000	SYDNEY NSW 2000
Tel: +61 7 3119 6215	Tel: +61 2 9296 2116
Fax: +61 7 3119 1215	Fax: +61 2 9296 3999
mark.carkeet@minterellison.com	vishal.ahuja@au.kwm.com

2. Contract, arrangement or understanding

(a) **Description of the contract, arrangement or understanding, whether proposed or actual, for which authorisation is sought:**

(Refer to direction 4)

Stanwell, DPS Co and the other participants in the NWPS propose to enter into arrangements in relation to certain technical and operational matters to ensure the safety, stability and reliability of electricity supply in the NWPS.

The specific arrangements for which authorisation is sought are detailed in Schedule 1 of the **attached** submission.

(b) **Description of those provisions of the contract, arrangement or understanding described at 2 (a) that are, or would or might be, exclusionary provisions and (if applicable) are, or would or might be, cartel provisions:**

(Refer to direction 4)

See **attached** Submission.

(c) **Description of the goods or services to which the contract, arrangement or understanding (whether proposed or actual) relate:**

Generation and supply of electricity in the NWPS.

(d) **The term for which authorisation of the provision of the contract, arrangement or understanding (whether proposed or actual) is being sought and grounds supporting this period of authorisation:**

5 years.

The grounds supporting the term for which authorisation is sought are set out in the **attached** Submission.

3. Parties to the proposed arrangement

(a) **Names, addresses and descriptions of business carried on by other parties or proposed parties to the contract or proposed contract, arrangement or understanding:**

- Mica Creek Pty Limited (ABN 82 075 522 093)
  GPO Box 800
  Brisbane QLD 4000

  Mica Creek Pty Limited is a subsidiary of Stanwell. Mica Creek Pty Limited and SCL North West Pty Limited own and operate the Mica Creek Power Station.

- SCL North West Pty Limited (ABN 89 075 522 119)
  GPO Box 800
  Brisbane QLD 4000
  Attention: Company Secretary
  cc/ General Counsel

  SCL North West Pty Limited is a subsidiary of Stanwell. SCL North West Pty Limited and Mica Creek Pty Limited, own and operate the Mica Creek Power Station.

- Mount Isa Mines Limited (ABN 87 009 661 447) (**MIM**)
  Private Mail Bag 6
  Mount Isa QLD 4825
  Attention: Energy Contracts Manager

  MIM purchases electricity for its operations in and around Mount Isa and on-supplies electricity to Ergon Energy Queensland Pty Limited; its subsidiary Ernest Henry Mining Pty Limited; and other entities including third parties embedded within its network.

  MIM is also:

  - the owner of the Mines Power Station; and
  - the lessee of the Aggreko Power Station.

  MIM is part of the Glencore Xstrata plc Group.

- Ergon Energy Corporation Limited (ABN 50 087 646 062) (**EECL**)
  PO Box 264
  Fortitude Valley QLD 4006
  Attention: Company Secretary and General Counsel

EECL is the owner and operator of the distribution infrastructure in the NWPS. EECL is a Queensland Government owned corporation.

- Ergon Energy Queensland Pty Limited (ABN 11 121 177 802) (**EEQ**)
  PO Box 264
  Fortitude Valley QLD 4006
  Attention: Company Secretary and General Counsel

  EEQ is a wholly owned subsidiary of EECL which conducts business as an electricity retailer. In the NWPS, it retails electricity to residential, commercial and mining customers in the Mount Isa and Cloncurry regions.

- Ernest Henry Mining Pty Ltd (ABN 18 008 495 574) (**EHM**)
  Private Mail Bag 6
  Mount Isa QLD 4825
  Attention: Energy Contracts Manager

  EHM is a subsidiary of MIM. The Ernest Henry Mine is a copper and gold mining and processing operation located 38 kilometres north east of Cloncurry in north west Queensland.

- MMG Century Limited (ABN 59 006 670 300) (**MMG Century**)
  PO Box 8016
  Garbutt Business Centre
  Garbutt QLD 4814
  Attention: General Manager Operations – Queensland

  The MMG Century mine is an open-cut zinc mine located in north-west Queensland. MMG Century purchases electricity from the NWPS for use in its mining operations.

  MMG Century is a member of the MMG group.

- MMG Dugald River Pty Limited (ABN 19 083 405 556) (**MMG Dugald River**)
  PO Box 8016
  Garbutt Business Centre
  Garbutt QLD 4814
  Attention: General Manager Operations – Queensland

  The Dugald River deposit is a long-life ore body located approximately 65 kilometres north-west of Cloncurry in Queensland. MMG Dugald River does not currently but may in future purchase electricity from the NWPS for the Dugald River project.

  MMG Dugald River is a member of the MMG group.

- The Applicants also request that any authorisation granted by the Commission be expressed to apply to any future participant in the NWPS who enters into the Dispatch Protocol (including other generators capable of supplying greater than 10MW of electricity who becomes a party to the arrangements after authorisation is granted) as permitted by section 88(10).

(b) **Names, addresses and descriptions of business carried on by parties and other persons on whose behalf this application is made:**

(Refer to direction 5)

Not applicable.

4. Public benefit claims

(a) **Arguments in support of application for authorisation:**

(Refer to direction 6)

See **attached** Submission.

(b) **Facts and evidence relied upon in support of these claims:**

See **attached** Submission.

5. Market definition

Provide a description of the market(s) in which the goods or services described at 2 (c) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):

(Refer to direction 7)

See **attached** Submission.

6. Public detriments

(a) **Detriments to the public resulting or likely to result from the contract arrangement or understanding for which authorisation is sought, in particular the likely effect of the contract arrangement or understanding, on the prices of the goods or services described at 2 (c) and the prices of goods or services in other affected markets:**

(Refer to direction 8)

See **attached** Submission.

(b) **Facts and evidence relevant to these detriments:**

See **attached** Submission.

7. Contracts, arrangements or understandings in similar terms

This application for authorisation may also be expressed to be made in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the abovementioned contract, arrangement or understanding:

(a) **Is this application to be so expressed?**

No.

(b) **If so, the following information is to be furnished:**

(i) **description of any variations between the contract, arrangement or understanding for which authorisation is sought and those contracts, arrangements or understandings that are stated to be in similar terms:**

Not applicable.

(ii) **Where the parties to the similar term contract(s) are known — names, addresses and descriptions of business carried on by those other parties:**

Not applicable.

(iii) **Where the parties to the similar term contract(s) are not known — description of the class of business carried on by those possible parties:**

Not applicable.

8. Joint Ventures

(a) **Does this application deal with a matter relating to a joint venture (See section 4J of the *Competition and Consumer Act 2010*)?**

No.

(b) **If so, are any other applications being made simultaneously with this application in relation to that joint venture?**

Not applicable.

(c) **If so, by whom or on whose behalf are those other applications being made?**

Not applicable.

9. Further information

(a) **Name, postal address and telephone contact details of the person authorised by the applicant seeking authorisation to provide additional information in relation to this application:**

Stanwell

Mark Carkeet
Partner
Minter Ellison Lawyers
Level 22, Waterfront Place
1 Eagle Street
BRISBANE QLD 4000
Tel: +61 7 3119 6215
Fax: +61 7 3119 1215
mark.carkeet@minterellison.com

DPS Co

Vishal Ahuja
Partner
King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000
Tel: +61 2 9296 2116
Fax: +61 2 9296 3999
vishal.ahuja@au.kwm.com

Dated 29/8/2014

Signed on behalf of Stanwell

.....

Mark Carkeet

Partner

Dated 29 August 2014

Signed on behalf of DPS Co

.....

Vishal Ahuja

Partner

DIRECTIONS

1. Use Form A if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision and which is also, or might also be, an exclusionary provision. Use Form B if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision or a provision which would have the purpose, or would or might have the effect, of substantially lessening competition. It may be necessary to use both forms for the same contract, arrangement or understanding.

   In lodging this form, applicants must include all information, including supporting evidence, that they wish the Commission to take into account in assessing their application for authorisation.

   Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the applicant.

2. Where the application is made by or on behalf of a corporation, the name of the corporation is to be inserted in item 1 (a), not the name of the person signing the application and the application is to be signed by a person authorised by the corporation to do so.

3. Describe that part of the applicant's business relating to the subject matter of the contract, arrangement or understanding in respect of which authorisation is sought.

4. Provide details of the contract, arrangement or understanding (whether proposed or actual) in respect of which the authorisation is sought. Provide details of those provisions of the contract, arrangement or understanding that are, or would or might be, exclusionary provisions. Provide details of those provisions of the contract, arrangement or understanding that are, or would or might be, cartel provisions.

   In providing these details:

   (a) to the extent that any of the details have been reduced to writing, provide a true copy of the writing; and

   (b) to the extent that any of the details have not been reduced to writing, provide a full and correct description of the particulars that have not been reduced to writing.

5. Where authorisation is sought on behalf of other parties provide details of each of those parties including names, addresses, descriptions of the business activities engaged in relating to the subject matter of the authorisation, and evidence of the party's consent to authorisation being sought on their behalf.

6. Provide details of those public benefits claimed to result or to be likely to result from the proposed contract, arrangement or understanding including quantification of those benefits where possible.

7. Provide details of the market(s) likely to be effected by the contract, arrangement or understanding in particular having regard to goods or services that may be substitutes for the good or service that is the subject matter of the application for authorisation.

8. Provide details of the detriments to the public, including those resulting from any lessening of competition, which may result from the proposed contract, arrangement or understanding. Provide quantification of those detriments where possible.

9. Where the application is made also in respect of other contracts, arrangements or understandings, which are or will be in similar terms to the contract, arrangement or understanding referred to in item 2, furnish with the application details of the manner in which those contracts, arrangements or understandings vary in their terms from the contract, arrangements or understanding referred to in item 2.

10. Where authorisation is sought on behalf of other parties provide details of each of those parties including names, addresses, and descriptions of the business activities engaged in relating to the subject matter of the authorisation, and evidence of the party's consent to authorisation being sought on their behalf.

Form B

Commonwealth of Australia

Competition and Consumer Act 2010 — subsections 88 (1A) and (1)

AGREEMENTS AFFECTING COMPETITION OR INCORPORATING RELATED CARTEL PROVISIONS: APPLICATION FOR AUTHORISATION

To the Australian Competition and Consumer Commission:
Application is hereby made under subsection(s) 88 (1A)/88 (1) of the *Competition and Consumer Act 2010* for an authorisation:

- ~~to make a contract or arrangement, or arrive at an understanding, a provision of which would be, or might be, a cartel provision within the meaning of Division 1 of Part IV of that Act (other than a provision which would also be, or might also be, an exclusionary provision within the meaning of section 45 of that Act).~~

- ~~to give effect to a provision of a contract, arrangement or understanding that is, or may be, a cartel provision within the meaning of Division 1 of Part IV of that Act (other than a provision which is also, or may also be, an exclusionary provision within the meaning of section 45 of that Act).~~

- to make a contract or arrangement, or arrive at an understanding, a provision of which would have the purpose, or would or might have the effect, of substantially lessening competition within the meaning of section 45 of that Act.

- to give effect to a provision of a contract, arrangement or understanding which provision has the purpose, or has or may have the effect, of substantially lessening competition within the meaning of section 45 of that Act.

(Strike out whichever is not applicable)

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. Applicant

(a) Name of Applicant:
(Refer to direction 2)

A91449

Stanwell Corporation Limited (ABN 37 078 848 674) (**Stanwell**)

Diamantina Power Station Pty Limited (ABN 55 149 762 176) (**DPS Co**)

(b) Short description of business carried on by applicant:
(Refer to direction 3)

Stanwell carries on the business of generating and supplying electricity in the North West Queensland Power System (**NWPS**).

Stanwell, through its subsidiaries, Mica Creek Pty Limited and SCL North West Pty Ltd, is the owner and operator of the Mica Creek Power Station. The Mica

Creek Power Station is currently the primary generator and supplier of electricity in the NWPS.

DPS Co is the developer of the Diamantina Power Station and the Leichhardt Power Station. Upon commissioning of DPS and LPS, it is expected that DPS Co will become the primary generator and supplier of electricity in the NWPS.

DPS Co is a 50/50 joint venture between AGL Energy Limited and APA Group.

(c) Address in Australia for service of documents on the applicant:

Stanwell	DPS Co
Mark Carkeet Partner Minter Ellison Lawyers Level 22, Waterfront Place 1 Eagle Street BRISBANE QLD 4000 Tel: +61 7 3119 6215 Fax: +61 7 3119 1215 mark.carkeet@minterellison.com	Vishal Ahuja Partner King & Wood Mallesons Level 61, Governor Phillip Tower 1 Farrer Place SYDNEY NSW 2000 Tel: +61 2 9296 2116 Fax: +61 2 9296 3999 vishal.ahuja@au.kwm.com

2. Contract, arrangement or understanding

(a) Description of the contract, arrangement or understanding, whether proposed or actual, for which authorisation is sought:
(Refer to direction 4)

Stanwell, DPS Co and the other participants in the NWPS propose to enter into arrangements in relation to certain technical and operational matters to ensure the safety, stability and reliability of electricity supply in the NWPS.

The specific arrangements for which authorisation is sought are detailed in Schedule 1 of the **attached** submission.

(b) Description of those provisions of the contract, arrangement or understanding described at 2 (a) that are, or would or might be, cartel provisions, or that do, or would or might, have the effect of substantially lessening competition:
(Refer to direction 4)

See **attached** Submission.

(c) Description of the goods or services to which the contract, arrangement or understanding (whether proposed or actual) relate:

Generation and supply of electricity in the NWPS.

(d) The term for which authorisation of the contract, arrangement or understanding (whether proposed or actual) is being sought and grounds supporting this period of authorisation:

5 years.

The grounds supporting the term for which authorisation is sought are set out in the **attached** Submission.

3. Parties to the proposed arrangement

(a) Names, addresses and descriptions of business carried on by other parties or proposed parties to the contract or proposed contract, arrangement or understanding:

- Mica Creek Pty Limited (ABN 82 075 522 093)
  GPO Box 800
  Brisbane QLD 4000

  Mica Creek Pty Limited is a subsidiary of Stanwell. Mica Creek Pty Limited and SCL North West Pty Limited own and operate the Mica Creek Power Station.

- SCL North West Pty Limited (ABN 89 075 522 119)
  GPO Box 800
  Brisbane QLD 4000

  SCL North West Pty Limited is a subsidiary of Stanwell. SCL North West Pty Limited and Mica Creek Pty Limited, own and operate the Mica Creek Power Station.

- Mount Isa Mines Limited (ABN 87 009 661 447) (**MIM**)
  Private Mail Bag 6
  Mount Isa QLD 4825
  Attention: Energy Contracts Manager

  MIM purchases electricity for its operations in and around Mount Isa and on-supplies electricity to Ergon Energy Queensland Pty Limited; its subsidiary Ernest Henry Mining Pty Limited; and other entities including third parties embedded within its network.

  MIM is also:

  - the owner of the Mines Power Station; and
  - the lessee of the Aggreko Power Station.

  MIM is part of the Glencore Xstrata plc Group.

- Ergon Energy Corporation Limited (ABN 50 087 646 062) (**EECL**)
  PO Box 264
  Fortitude Valley QLD 4006
  Attention: Company Secretary and General Counsel

  EECL is the owner and operator of the distribution infrastructure in the NWPS. EECL is a Queensland Government owned corporation.

- Ergon Energy Queensland Pty Limited (ABN 11 121 177 802) (**EEQ**)
  PO Box 264
  Fortitude Valley QLD 4006
  Attention: Company Secretary and General Counsel

EEQ is a wholly owned subsidiary of EECL which conducts business as an electricity retailer. In the NWPS, it retails electricity to residential, commercial and mining customers in the Mount Isa and Cloncurry regions.

- Ernest Henry Mining Pty Ltd (ABN 18 008 495 574) (**EHM**)
  Private Mail Bag 6
  Mount Isa QLD 4825
  Attention: Energy Contracts Manager

  EHM is a subsidiary of MIM. The Ernest Henry Mine is a copper and gold mining and processing operation located 38 kilometres north east of Cloncurry in north west Queensland.

- MMG Century Limited (ABN 59 006 670 300) (**MMG Century**)
  PO Box 8016
  Garbutt Business Centre
  Garbutt QLD 4814
  Attention: General Manager Operations – Queensland

  The MMG Century mine is an open-cut zinc mine located in north-west Queensland. MMG Century purchases electricity from the NWPS for use in its mining operations.

  MMG Century is a member of the MMG group.

- MMG Dugald River Pty Limited (ABN 19 083 405 556) (**MMG Dugald River**)
  PO Box 8016
  Garbutt Business Centre
  Garbutt QLD 4814
  Attention: General Manager Operations – Queensland

  The Dugald River deposit is a long-life ore body located approximately 65 kilometres north-west of Cloncurry in Queensland. MMG Dugald River does not currently but may in future purchase electricity from the NWPS for the Dugald River project.

  MMG Dugald River is a member of the MMG group.

- The Applicants also request that any authorisation granted by the Commission be expressed to apply to any future participant in the NWPS who enters into the Dispatch Protocol (including other generators capable of supplying greater than 10MW of electricity who becomes a party to the arrangements after authorisation is granted) as permitted by section 88(10).

(b) Names, addresses and descriptions of business carried on by parties and other persons on whose behalf this application is made:
(Refer to direction 5)

Not applicable.

4. Public benefit claims

(a) Arguments in support of authorisation:
(Refer to direction 6)

See **attached** Submission.

(b) Facts and evidence relied upon in support of these claims:

See **attached** Submission.

5. Market definition

Provide a description of the market(s) in which the goods or services described at 2 (c) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):
(Refer to direction 7)

See **attached** Submission.

6. Public detriments

(a) Detriments to the public resulting or likely to result from the authorisation, in particular the likely effect of the contract, arrangement or understanding, on the prices of the goods or services described at 2 (c) and the prices of goods or services in other affected markets:
(Refer to direction 8)

See **attached** Submission

(b) Facts and evidence relevant to these detriments:

See **attached** Submission

7. Contract, arrangements or understandings in similar terms

This application for authorisation may also be expressed to be made in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the abovementioned contract, arrangement or understanding.

(a) Is this application to be so expressed?

No.

(b) If so, the following information is to be furnished:

(i) description of any variations between the contract, arrangement or understanding for which authorisation is sought and those contracts, arrangements or understandings that are stated to be in similar terms:
(Refer to direction 9)

Not applicable.

(ii) Where the parties to the similar term contract(s) are known — names, addresses and descriptions of business carried on by those other parties:

Not applicable.

(iii) Where the parties to the similar term contract(s) are not known — description of the class of business carried on by those possible parties:

Not applicable.

8. Joint Ventures

(a) Does this application deal with a matter relating to a joint venture (See section 4J of the *Competition and Consumer Act 2010*)?

No.

(b) If so, are any other applications being made simultaneously with this application in relation to that joint venture?

Not applicable.

(c) If so, by whom or on whose behalf are those other applications being made?

Not applicable.

9. Further information

(a) Name and address of person authorised by the applicant to provide additional information in relation to this application:

Stanwell

Mark Carkeet
Partner
Minter Ellison Lawyers
Level 22, Waterfront Place
1 Eagle Street
BRISBANE QLD 4000
Tel: +61 7 3119 6215
Fax: +61 7 3119 1215
mark.carkeet@minterellison.com

DPS Co

Vishal Ahuja
Partner
King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000
Tel: +61 2 9296 2116
Fax: +61 2 9296 3999
vishal.ahuja@au.kwm.com

Dated 29 August 2014

Signed on behalf of Stanwell

Mark Carkeet

Mark Carkeet
Partner

Dated 29 August 2014

Signed on behalf of DPS Co

.....

Vishal Ahuja

Partner

DIRECTIONS

1. Use Form A if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision and which is also, or might also be, an exclusionary provision. Use Form B if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision or a provision which would have the purpose, or would or might have the effect, of substantially lessening competition. It may be necessary to use both forms for the same contract, arrangement or understanding.

   In lodging this form, applicants must include all information, including supporting evidence, that they wish the Commission to take into account in assessing the application for authorisation.

   Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the applicant.

2. Where the application is made by or on behalf of a corporation, the name of the corporation is to be inserted in item 1 (a), not the name of the person signing the application and the application is to be signed by a person authorised by the corporation to do so.

3. Describe that part of the applicant's business relating to the subject matter of the contract, arrangement or understanding in respect of which the application is made.

4. Provide details of the contract, arrangement or understanding (whether proposed or actual) in respect of which the authorisation is sought. Provide details of those provisions of the contract, arrangement or understanding that are, or would or might be, cartel provisions. Provide details of those provisions of the contract, arrangement or understanding that do, or would or might, substantially lessen competition.

   In providing these details:

   (a) to the extent that any of the details have been reduced to writing, provide a true copy of the writing; and

   (b) to the extent that any of the details have not been reduced to writing, provide a full and correct description of the particulars that have not been reduced to writing.

5. Where authorisation is sought on behalf of other parties provide details of each of those parties including names, addresses, descriptions of the business activities engaged in relating to the subject matter of the authorisation, and evidence of the party's consent to authorisation being sought on their behalf.

6. Provide details of those public benefits claimed to result or to be likely to result from the proposed contract, arrangement or understanding including quantification of those benefits where possible.

7. Provide details of the market(s) likely to be effected by the contract, arrangement or understanding, in particular having regard to goods or services that may be substitutes for the good or service that is the subject matter of the authorisation.

8. Provide details of the detriments to the public which may result from the proposed contract, arrangement or understanding including quantification of those detriments where possible.

9. Where the application is made also in respect of other contracts, arrangements or understandings, which are or will be in similar terms to the contract, arrangement or understanding referred to in item 2, furnish with the application details of the manner in which those contracts, arrangements or understandings vary in their terms from the contract, arrangements or understanding referred to in item 2.

Australian Competition & Consumer Commission

GPO Box 3131
Canberra ACT 2601

23 Marcus Clarke Street
Canberra ACT 2601

tel: (02) 6243 1111
fax: (02) 6243 1199

www.accc.gov.au

Contact Officer: Gavin Jones
Contact Phone: 03 9290 1475

25 July 2014

Vishal Ahuja
Partner
King & Wood Mallesons

By email: vishal.ahuja@au.kwm.com

Dear Mr Ahuja

Fee waiver request - Diamantina Power Station Pty Ltd and Stanwell Corporation Ltd

I refer to your letter of 23 July 2014 to the Australian Competition and Consumer Commission (ACCC) in respect of proposed applications for authorisation. In your letter you have requested that the ACCC grant a fee waiver in respect of the proposed arrangements.

In particular, you have requested that the fee to be paid in relation to a number of related applications for authorisation to be lodged by Diamantina Power Station Pty Ltd and Stanwell Corporation Ltd (the applicants) be waived in whole.

In support of your request you submitted that the imposition of the lodgement fee would impose an unduly onerous burden on the applicants because the proposed applications relate to the same conduct as previous applications for authorisation which were subsequently withdrawn and for which lodgement fees have already been paid.

Having regard to the above, as a person authorised to assess fee waiver requests for and on behalf of the ACCC, I wish to advise that the application fee to be paid by the applicants has been waived in whole. No application fee will apply with respect to the applications for authorisation to be lodged by the applicants.

This decision will remain in force for a period of three months. The three month period will expire on 25 October 2014.

A copy of this letter should accompany the applications for authorisation to be lodged by the applicants. The cover letter to the applications should mention that a letter from the ACCC regarding a fee waiver is enclosed with the applications. The applications together with this letter will be placed on the public register at that time.

If the applications for authorisation are lodged by applicants after 25 October 2014, a full application fee of $7500 for the first application and $1500 for the related application will apply, unless a subsequent request for a fee waiver is made and ultimately approved by the ACCC.

Should you have any queries in relation to this matter, please do not hesitate to contact Gavin Jones on 03 9290 1475.

Yours sincerely

Dr Richard Chadwick
General Manager
Adjudication Branch

Submission in support of application for authorisation

North West Power System

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Submission in support of application for authorisation

North West Power System

Submission in support of application for authorisation

1. Introduction

1.1 The Applicants

This submission is made by Stanwell Corporation Limited (**Stanwell**) and Diamantina Power Station Pty Ltd (**DPS Co**) (together, the **Applicants**) in support of their application for authorisation of certain technical and operational arrangements to ensure the North West Power System (**NWPS**) is operated safely and securely.

Stanwell, through its subsidiaries Mica Creek Pty Limited and SCL North West Pty Limited, is the owner and operator of the Mica Creek Power Station (**MCPS**). MCPS is currently the primary generator and supplier of electricity in the NWPS. Stanwell is a Queensland Government Owned Corporation responsible for generating over 45% of Queensland's electricity.

DPS Co is a joint venture between AGL Energy Limited and APA Group. It is the developer of the Diamantina Power Station (**DPS**) and the Leichhardt Power Station (**LPS**). Upon commissioning of DPS and LPS, it is expected that DPS Co will become the primary generator and supplier of electricity in the NWPS.

1.2 The Application

Application is made under section 88(1A)/88(1) of the *Competition and Consumer Act 2010* (Cth) (**CCA**) for authorisation to make and give effect to a contract or arrangement, or arrive at an understanding, which involves the proposed conduct set out in **Schedule 1** to this submission. That conduct forms an essential part of proposed rules providing for the co-ordination of dispatch of generators, and for demand management and load shedding of certain electricity consumers within the NWPS (the **Dispatch Protocol**).

Elements of the proposed conduct may involve cartel provisions and/or exclusionary provisions within the meaning of the CCA. The Applicants seek authorisation of those elements of the proposed conduct which may raise competition issues.

The Applicants request authorisation for a period of 5 years.

The other parties to the arrangements are the other participants in the NWPS from time to time. A complete list of those parties as at the date of the application are identified in section 3(a) of the application (**Participants**).

The Applicants also request that any authorisation granted by the Commission under section 88(1A)/88(1) of the CCA be expressed to apply to any future participant in the NWPS who enters into the Dispatch Protocol (including other generators capable of supplying greater than 10MW of electricity who becomes a party to the arrangements after authorisation is granted) as permitted by section 88(10).

1.3 Application for Interim Authorisation

The Applicants also request interim authorisation by early October 2014 for the reasons outlined in Section 4 of this submission.

2. The North West Power System

2.1 Description of the NWPS

The NWPS is an isolated electricity generation and transmission network centred on Mount Isa, Queensland. The NWPS extends to Cloncurry and surrounding mines but is not connected to the national grid. A map of the NWPS is provided in **Schedule 2**.

Ergon Energy Corporation Limited (**EECL**) owns and operates the 220kV and portions of the 132kV electricity transmission system. It is highly improbable that the NWPS will be connected to the national electricity grid during the period to which this application relates.

Stanwell, as the owner and operator of MCPS, operates as a defacto 'system operator' for the NWPS. Stanwell has no statutory obligation to function as the system operator. Those duties and responsibilities arise as a consequence of its contractual relationships with customers.

Once the DPS and the LPS are commissioned, DPS Co will assume the role of system operator subject to a satisfactory handover process.

2.2 Market definition

The affected market is the wholesale market for the supply and acquisition of electricity in the NWPS.

2.3 Current Generation

MCPS is currently the primary generator and supplier of electricity in the NWPS. MCPS is a gas fired power station capable of generating up to 246.8MW of electricity.

In addition to MCPS:

(a) small amounts of capacity are currently supplied by:

  (i) the Mines Power Station (**MPS**) owned and operated by Mount Isa Mines Limited (**MIM**). The MPS comprises a 12.5MW and a 15MW waste heat recovery generator, which run one at a time only and are connected to MIM's copper smelter operations. These operations and consequently MPS is expected to cease in 2016.

  (ii) the X41 Power Station (**XPS**), owned by APA Group. The XPS is a 41MW gas fired power station. XPS is currently operated at the direction of MIM, but will be operated at the direction of DPS Co from Second Commercial Operation (as described below) which is expected to in October 2014.

  (iii) the Aggreko Power Station (**APS**), owned by Aggreko Pty Ltd. The APS comprises approximately 15 MW of temporary additional generating units installed adjacent to the XPS. The APS is leased to and operated by MIM, but will cease operation soon after the first 80MW of generation at DPS commences;

(b) up to 60MW of capacity is supplied by LPS, a 60MW open cycle gas turbine, which was commissioned on 1 August 2014; and

(c) up to 160MW of capacity can be supplied by DPS.

2.4 Future Generation

The DPS, a 242 MW combined cycle gas turbine, is currently under construction by DPS Co.

It is expected to be fully operational by end 2014.

There are no further generation sources envisaged in the short term.

2.5 Current Offtakers

MCPS currently supplies the following customers (**Offtakers**) under Power Purchase Agreements (**PPAs**) (or, in the case of Ergon Energy Queensland Pty Limited (**EEQ**), through on-supply arrangements with MIM):

(a) MIM for operations at Mount Isa Mine, Ernest Henry Mine, George Fisher Mine (also known as the Hilton Mine), Lady Loretta Mine, Lady Annie Mine and Mount Gordon Mine. MIM is part of the Glencore Xstrata plc Group;

(b) EEQ which conducts business as an electricity retailer. In the NWPS, it resells electricity to residential, commercial and mining customers in the Mount Isa and Cloncurry regions. EEQ is a wholly owned subsidiary of EECL;

(c) MMG Century Limited (**MMG Century**) for its MMG Century Mine; and

(d) MMG Dugald River Pty Limited (**MMG Dugald River**) for its Dugald River project (although this is not yet connected to the NWPS).

Once DPS is commissioned, it will supply electricity to MIM and EEQ. MMG Century and MMG Dugald River will remain offtakers of MCPS.

2.6 Future Offtakers

A customer of MCPS or DPS which has an aggregate connected load greater than 10MW (**Threshold Demand**) is required to become a party to the Dispatch Protocol.

No new offtakers or major customer loads are envisaged in the short term.

2.7 Constraints

As recognised by the Commission in its 1997 authorisation of the National Electricity Code, 'electricity is a good whose supply and transportation through the power system requires continual balancing to ensure safety, security and quality of supply'.[1]

Special challenges arise in isolated electricity generation and transmission systems due to the relative interdependence of the Participants and the potential for the activities of one party to adversely affect the entire system.

In the NWPS, the relevant constraints include:

(a) instantaneous generation may not physically match instantaneous demand;

(b) because of limited available supply, interruptions are more likely. Those interruptions have safety implications, in particular for mining and industrial applications;

(c) individual customers' power demands are relatively large in comparison to available capacity;

(d) individual customers can quickly bring into service large collections of load at rates which exceed the rate at which additional generation capacity can be provided;

(e) sudden network or customer outages cause variations in voltage and current fluctuations which may damage the network and customer installations;

(f) when it is necessary to do so, load shedding must be undertaken immediately to protect supply to other customers and the safety of the network;

(g) following a load shed event, both the ramp up of generating plant and the reconnection of loads must be coordinated in order to maintain system integrity.

[1] Applications for Authorisation A40074-A40076, National Electricity Code, 10 December 1997, p110.

2.8 The requirement for a Dispatch Protocol

As a consequence of these constraints:

(a) generators must coordinate their output to ensure the distribution/transmission system is not overloaded and the demand for all customers is met;

(b) processes must be put in place to ensure adequate spinning reserve is maintained;

(c) it is necessary to agree in advance the conditions which may give rise to load shedding, and the priority in which loads may be shed and to permit the automatic disconnection of loads to ensure load shedding may occur in a fast, safe and co-ordinated way;

(d) processes are required to ensure that the power system is capable of maintaining quality of supply obligations to all customers under steady-state conditions, and that the system will remain stable under transient conditions;

(e) where there is a large disturbance in frequency or voltage, processes are required to ensure portion(s) of the network are quickly isolated or loads quickly curtailed to avoid system instability or failure.

3. The Dispatch Protocol

3.1 History of the Dispatch Protocol

As the NWPS is an isolated power system not connected to the national grid, MCPS as the sole generator, EECL as the transmission network owner and their customers developed and issued a dispatch protocol for the NWPS in June 1998 (**1998 Dispatch Protocol**). Customers were bound by the 1998 Dispatch Protocol pursuant to the provisions of their PPAs.

The 1998 Dispatch Protocol regulated certain technical and operational matters as between MCPS and its customers including:

(a) system planning, monitoring and control;

(b) forecasting by customers of their electricity requirements, so that Stanwell as generator could manage the production of electricity at MCPS;

(c) requirements for the quality of energy supplied;

(d) procedures for dispatch of energy from generators;

(e) responsible parties and processes for ensuring the system was operated safely and securely; and

(f) requirements for the metering of energy.

The 1998 Dispatch Protocol was a dynamic document and was revised from time to time.

Its existence allowed MCPS and its customers to rely upon load shedding to ensure safety, security and reliability of the system rather than requiring construction and continuous operation of additional reserve generation to provide this assurance.

3.2 The Dispatch Protocol

Upon the commissioning of the DPS and the LPS, DPS will become the primary generator in the NWPS and the 1998 Dispatch Protocol, a document between Stanwell and its customers, will no longer be effective to ensure system safety, security and reliability.

Against that background, Stanwell and DPS Co (as the **Major Generators**), along with other Participants in the NWPS propose to reach agreements as to the means for determining certain

technical and operational matters to ensure the safety, stability and reliability of electricity supply in the NWPS.

These agreements include a new Dispatch Protocol which will take into account the additional generation from the DPS and the LPS and supersede the 1998 Dispatch Protocol.

Consistent with the 1998 Dispatch Protocol, the purpose of the Dispatch Protocol is to coordinate certain activities of all Participants using protocols to achieve a safe, reliable and stable system with formal procedures to allow for growth of the NWPS over time.

The Dispatch Protocol will:

(a) establish the membership and obligations of a Working Committee to oversee the day to day implementation and development of the NWPS;

(b) govern the conduct and interaction between the Participants in the NWPS in relation to safe reliable supply of power in the NWPS;

(c) define a set of protocols to be used by the Participants for the safe and reliable delivery of electricity of agreed quality throughout the NWPS;

(d) define a set of technical and quality standards for the NWPS which will apply to any future development of the NWPS;

(e) recognise the need for energy balance and settlement agreements between the Major Generators; and

(f) establish a framework for Black Start and Supply Network restoration processes.

3.3 Overarching Principles

The Dispatch Protocol is based on overarching principles including:

(a) it is developed for the primary benefit of stakeholders in general and the Generators and Offtakers who are directly connected to the Supply Network, and also to indirectly benefit Customers;

(b) new generation capacity and load on, and changes to the network configuration within, the NWPS are welcome, subject to certain such changes complying with necessary technical requirements and satisfactorily addressing any issues that the new generation capacity, load or changed configuration may raise for safety, reliability and quality of electricity supply;

(c) equity between stakeholders is to be applied while ensuring safety and system security, subject to technical constraints, operational restrictions and contractual obligations. Subject to technical constraints, operational restrictions will be applied fairly and equitably on all offtakers and only to the extent necessary to maintain the safety and security of the NWPS; and

(d) automatic load shedding will be used to protect the NWPS and to mitigate the risk of a system collapse. Load shedding will reflect contractual supply obligations between each Major Generator and its offtakers and will disconnect loads as required in an orderly manner so that generation capacity available in the NWPS is adequate to maintain system stability. The key elements of the system will be fast speed of response and the ability to take progressive action in discrete steps to restore stability and minimise the extent of the disruption to offtakers.

3.4 Key elements of the Dispatch Protocol

The key elements of the Dispatch Protocol are outlined below.

(a) Generation Co-ordinator

The Generation Co-ordinator will be responsible for coordinating the operations of the major generators including the MCPS, the DPS and the LPS so that the following factors are controlled effectively:

(i) system frequency;

(ii) voltage and reactive power flows through suitable control mechanisms;

(iii) generator loading is in compliance with contractual obligations through application of appropriate governor control mechanisms; and

(iv) management of the generators' energy balance process.

(b) Technical Requirements

The Dispatch Protocol establishes:

(i) technical standards for quality of energy supply and requirements for new and modified facilities;[2]

(ii) the procedures to be followed by any Participant wishing to add or remove generation capacity or load or replace equipment which, individually or in aggregate, has a nameplate capacity or value of the load in excess of the Threshold Demand;

(iii) requirements for the metering of energy; and

(iv) principles to be applied to the calculation and allocation of system transmission losses.

(c) Generation

The Major Generators are required to supply the energy needs as contracted by their respective Offtakers.

The Major Generators that sell energy under PPAs or Energy Supply Agreements (**ESAs**) are required to enter into an Energy Balance Agreement to settle imbalances between energy dispatch and load between the Major Generators.

In the event of the loss of generation capacity, the Load Shedding System will operate automatically to disconnect an amount of load to match the deficiency in generation following the generation loss.

The Dispatch Protocol requires the owners and operators of Minor Power Stations and Embedded Power Stations (MPS, XPS, APS and the ICP Acid Plant) to install protective equipment to disconnect the Minor Power Station and Embedded Power Station from the NWPS in certain circumstances.

[2] The technical standards include requirements in relation to voltage at the point of connection, voltage fluctuations, voltage control and reactive power capability, voltage impulse withstand level, power factor, harmonic current distortion, voltage unbalance, frequency, earthing of equipment and protection/control facilities and systems and switching procedures.

(d) The Supply Network

The Dispatch Protocol contains provisions regarding the transmission and distribution systems owned and operated by EECL (as the Network Operator), MIM, DPS Co and Stanwell. Conditions regarding future additions to the Supply Network are also set out in the Dispatch Protocol.

(e) Energy dispatch

The Dispatch Protocol includes:

(i) notification of energy requirements and demand;

(ii) procedures regarding starting of single large capacity equipment;

(iii) procedures regarding connection of large collection of loads; and

(iv) restrictions on large cyclic loads during generator synchronising.

(f) Communication and distribution of information

The Dispatch Protocol sets out the requirements for interchange of system information between the Participants necessary for the safe secure operation of the NWPS.

(g) NWPS System Security

The Dispatch Protocol:

(i) requires Participants to comply with Good Engineering and Operating Practice (**GEOP**) so that the security of the NWPS is not put at risk;

(ii) requires Embedded and Minor Power Stations in the NWPS to have the necessary protection equipment to prevent damage to other Participants' equipment;

(iii) establishes the circumstances and planned responses for contingency events (e.g. major generation shortfall and reconnection of loads following a major disconnection);

(iv) establishes procedures for ensuring system security, including load shedding; and

(i) provides for coordination of both the ramp up of generating plant and the reconnection of loads after a load shed event in order to maintain system integrity.

(h) Co-ordination of work

The co-ordination of work provisions in the Dispatch Protocol relate to:

(i) across boundary connections and services;

(ii) across boundary isolation and earthing; and

(iii) planned outages.

(i) Right of appeal from Working Committee decisions

To the extent that a dispute arises between a potential new entrant or Participant wishing to add new facilities, generation capacity or extend the supply network and the Working Committee which cannot be resolved by negotiation, the Dispatch Protocol provides a right of appeal to an independent expert. In default of agreement, that expert will be appointed by an independent arbitral body.

4. Interim authorisation

4.1 Introduction

The Applicants request interim authorisation to make and give effect to a contract or arrangement, or arrive at an understanding, which involves the proposed conduct set out in Schedule 1 to this submission.

As discussed in the Applicant's earlier application, DPS Co requires an authorisation to be in effect at the time it commissions the second of two combined-cycle power blocks at DPS (Second Commercial Operation) so that the Dispatch Protocol may commence.

Second Commercial Operation is now expected to occur in October 2014. Accordingly, the Applicants request the ACCC grant interim authorisation by Friday, 3 October 2014 with such authorisation to take effect from the later of 3 October 2014 and commencement of the Dispatch Protocol.

As the Commission is aware, the previous application was withdrawn because the Applicants were unable to provide the Commission with the finalised Dispatch Protocol within the required time. It has taken some time to work through all the details of, and get agreement to, the Dispatch Protocol by all the Participants. The Participants have only recently confirmed that the Dispatch Protocol is in agreed form subject to final internal approvals where required. As a result, there is insufficient time to seek and obtain a final authorisation before the expected date of Second Commercial Operation.

4.2 Staged commissioning and relevance of Second Commercial Operation Date

DPS is being commissioned in a number of stages:

- In the first stage, DPS Co will commission two open-cycle units. In this stage, DPS Co will only supply MIM.
- In the second stage, DPS Co will commission a further two open-cycle units. In this stage, DPS Co will only supply MIM.
- In the third stage, DPS Co will commission the first of two combined cycle power blocks. In this stage, called First Commercial Operation, DPS Co will continue to only supply MIM.
- In the fourth stage, DPS Co will commission the second combined cycle power block and from that time will commence supplying Ergon Energy, ie from Second Commercial Operation.

DPS Co has currently completed the second stage and expects the third stage to be complete within the next fortnight.

The Dispatch Protocol needs to be in place at Second Commercial Operation because:

(a) following Second Commercial Operation, DPS Co will be supplying generation to both MIM and EEQ and will therefore need to manage its dispatch into the NWPS for both its customers (ie it is not appropriate at this stage for MIM to manage DPS dispatch given it will no longer be the only customer);

(b) it will ensure system safety, security and reliability of electricity supply in the NWPS. This includes by DPS Co undertaking the Generation Co-ordinator role to co-ordinate dispatch of DPS, MCPS, and embedded generation, and the new load shedding arrangements being implemented to reflect different generators supplying different customers.

Prior to Second Commercial Operation, and as an interim arrangement, the dispatch of DPS Co Generating Units will be at MIM's direction and generally treated as MIM-embedded generation under the existing Dispatch Protocol. Accordingly, there will be no need to coordinate dispatch between DPS Co and MCPS prior to Second Commercial Operation pursuant to the new Dispatch Protocol. In contrast to the arrangements set out in the previous application, from 22 August 2014, DPS Co is permitted to generate above 120MW in certain circumstances. Due to this potential additional generation, DPS Co will provide support services to the NWPS when exporting electricity, including in relation to voltage, frequency and spinning reserve.

4.3 Impact of granting interim authorisation

If interim authorisation is denied and Second Commercial Operation is achieved prior to the grant of any authorisation, DPS Co and its customers will suffer harm due to the inability to have an effective Dispatch Protocol that would ensure quality and reliability of supply, system security and safety in the NWPS. These factors are described in further detail in Section 5 of this submission.

There will be no permanent change if interim authorisation is granted but final authorisation denied. In these circumstances, the Dispatch Protocol will be terminated and the Applicants will have to implement alternative arrangements.

The grant of the interim authorisation would also result in no discernible harm to the customers, but will in fact benefit customers from having a Dispatch Protocol in place from Second Commercial Operation. The Dispatch Protocol will ensure quality and reliability of supply, system security and safety in the NWPS.

The proposed conduct does not have the potential to have any significant anti-competitive effects, as discussed further in Section 6 of this submission.

5. Public benefits

5.1 Background

All electricity systems depend on the creation of a common operating platform and therefore must prescribe standards for connection to, supply to, and taking electricity from, the system.

Accordingly, every electricity system which involves multiple generators and customers contains mandatory standards. Of course, operational differences between each system exist and, as a result, there is no 'industry wide' standard for these types of arrangements. However, where practical, standards utilised should conform with those which apply elsewhere in Australia.

The Applicants submit that, to the extent possible, the technical and operational restrictions proposed by the arrangements are broadly consistent with those used throughout the industry, and hence have an associated public benefit.

In particular, the Applicants submit the arrangements represent industry best practice for an isolated generating system of the same kind as the NWPS and are consistent with and no more onerous than arrangements in the Network Technical Code and Network Planning Criteria (**NT Code**) in the Northern Territory[3] and the National Electricity Rules (**NER**) which govern the

[3] As the Commission is aware, the Northern Territory's electricity network is not connected to the National Electricity Market and operates in a similar way to the proposed arrangements in NWPS. Part 2 of the *Electricity Networks (Third Party Access) Act 2000* (NT) establishes the Network Access Code which sets out terms and conditions of access to the electricity network. The Network Access Code require the network provider, PowerWater, to prepare a Network Technical Code and Network Planning Criteria. All network users must comply with this Code and Criteria regarding connection to and use of the electricity network.

National Electricity Market (**NEM**). The Applicants have referenced relevant arrangements in the NT Code and the NER as appropriate below.

The Applicants sought to compare arrangements in the NWPS with those in the North West Interconnected System but the operating protocols are only available to authorised personnel from the participating companies in the NWIS and accordingly the Applicants have been unable to do so.

The two features of the new Dispatch Protocol which might give rise to competition law concerns are those relating to:

(a) the coordination of output by generators and demand management and load shedding, insofar as it affects customers; and

(b) requirements on new generators and customers wishing to connect to the NWPS.

Those elements form an essential part of the overall Dispatch Protocol. Without them, the Dispatch Protocol cannot be effective. The Applicants submit that the public benefits accruing to the Dispatch Protocol as a whole cannot be achieved without the inclusion of the arrangements relating to coordination of output, load shedding and demand and minimum requirements on new Participants.

5.2 Three key benefits

The Applicants submit there are three key public benefits associated with the arrangements including the proposed conduct:

(a) quality and reliability of supply;

(b) system security; and

(c) safety.

These benefits are discussed in more detail below.

5.3 Quality and reliability of supply

The Applicants submit that it is in the public interest for the NWPS to meet the highest quality and reliability of supply for its customers:

The arrangements seek to ensure that the NWPS meets these standards by:

(a) imposing technical requirements for generation and connection.[4]

The technical requirements include requirements in relation to voltage at the point of connection, voltage fluctuations, voltage control and reactive power capability, voltage impulse withstand level, power factor, harmonic current distortion, voltage unbalance, frequency, earthing of equipment and protection/control facilities and systems and switching procedures. The Applicants submit that these requirements promote a safe and reliable means of generating and transporting electricity, reducing the risk of a system wide disruption and minimising the impact of any disruption.

As recognised by the Commission in its authorisation of the original National Electricity Code,[5] identification and prescription of technical standards protects the interests of new entrants as they are given certainty about the standards at which the power system is to be operated and their obligations for maintaining system security. The Applicants submit that prescription of technical standards provides clarity to potential new entrants about the

[4] Clauses 2.9(b), 2.10(p), 2.10(r), 3.4, 4.8, 5.3, Dispatch Protocol.
[5] Applications for Authorisation A40074-A40076, National Electricity Code, 10 December 1997, p 112.

technical operating characteristics of the NWPS to enable them to make informed decisions about potential new entry and provides certainty to existing users and new entrants on either side of the demand/supply equation in relation to the standard and security of supply of electricity in the NWPS.

The Applicants accept that the technical standards may represent an up front cost to potential new entrants. However they submit that that cost:

(i) is necessary and reasonable as it requires no more than that required to comply with industry standards and good engineering and operating practice;

(ii) is required to be incurred by all Participants in the NWPS on a non-discriminatory basis (subject to some limited grandfathering exceptions);

(iii) ensure an adequate level of power system security and adequacy of supply; and

(iv) minimises the risk of overloading the system and involuntary load shedding.

Both the NT Code and the NER prescribe technical requirements for connection of new load, network extensions and new generation capacity.

Chapter 3 of the NT Code requires new load, network extensions and new generation to comply with prescribed technical requirements. It also requires a new user or new generation unit to commission a system study identifying the impact on the performance of the power system of user's facilities or new generation prior to connection.[6]

Chapter 4 of the NER sets out technical requirements to ensure the safe and reliable supply of electricity. Participants are required to meet certain technical and procedural obligations to assist the system operator to fulfil its responsibilities and obligations with regard to power system security. Chapter 5 of the NER and its schedules also prescribe default technical standards for equipment connected to the NEM (including generation and load), and performance and quality of supply standards. All NEM registered participants are required to maintain and operate equipment that is connected to the network in accordance with relevant laws, the NER and good industry practice. [7]

(b) appointing a Generation Co-ordinator

The Applicants submit that aligning demand and supply to a central function[8] will permit frequency, voltage and system connection requirements to be proactively monitored and managed thereby ensuring quality and reliability of supply to the greatest extent possible. In issuing directions to dispatch, the Generation Co-ordinator will be required to act impartially and to have regard to generators' contractual obligations.

Both the NT Code and the NER provide for central control of dispatch of electricity to maintain system frequency, voltage and reactive power flows.

Pursuant to Chapter 4 of the NT Code, the power system controller has responsibility for control of the day-to-day dispatch of generators and for maintaining power system security.[9] Chapter 4 of the NER provides the framework for achieving and maintaining a secure power system and includes processes to enable the system operator to plan and conduct operations within the power system to achieve and maintain power system security. These processes include processes to co-ordinate dispatch of plant.

[6] Clauses 3.2.9, 3.3, NT Code.
[7] Clause 5.2.1, NER.
[8] Clauses 2.9(h), 2.12(b), 4.2, Dispatch Protocol.
[9] Clauses 4.2.3, 4.3.3, 4.4.1, 4.4.2(a), 4.5.1(e), 4.6.1, NT Code.

(c) minimising shortages of supply

The proposed arrangements will require the major generators to have in service sufficient capacity to supply all the loads contracted and forecast by their respective offtakers and customers and spinning reserve capacity and reserve plant margin as required under agreements with their respective offtakers.[10] The Applicants submit that these arrangements will assist in minimising shortage of supply as each generator should be in a position at any time to meet the electricity requirements of its offtakers. This will assist in ensuring the NWPS delivers the agreed quality and reliability of supply from time to time.

Neither the NT Code nor the NER require generators to have in service sufficient capacity to supply all loads contracted. These arrangements are unnecessary in those systems; the government owns the large majority of generation capacity in the NT (615MW) and the NEM is a large interconnected dynamic market.

(d) permitting energy balancing

When instantaneous generation does not physically match instantaneous demand, the Major Generators will follow the process in the Energy Balance Agreement to reduce the accumulated energy imbalance by the repayment of energy. These arrangements are designed to improve reliability of supply by making small amounts of additional capacity available at one power station available to the other power station's customers should it be required. There is no distortion of incentives in the electricity supply market as generators are only required to have capacity equal to that required in their agreements with offtakers.

The Applicants submit that considerable public benefits will arise through the energy balancing arrangements by providing more reliable electricity supply. The existence of these arrangements will mean that, for smaller interruptions, a major generator may have a limited ability to provide the other generator small amounts of power from in service plant for short periods.

There is no distortion of incentives in the electricity supply market as generators are only required to have capacity equal to that required in their agreements with offtakers.[11]

(e) managing safety issues

It is undisputed that interruptions to electricity supply particularly for mining and industrial applications may have safety implications. This means that mining and industrial customers must have a clear understanding of the priority of their loads, and are put in the best position to manage any such interruptions. The Applicants submit that the arrangements which have the purpose and likely effect of minimising these interruptions give rise to a clear public benefit.

The proposed arrangements ensure security of electricity supply to residents to the greatest extent possible by allowing the Applicants and DPS' other customers to agree that EEQ's load is to be given priority of dispatch from DPS generation.[12]

This means that EEQ will be the last load shed from DPS should a load shedding event occur. In effect this means that EEQ load will only be shed in extreme circumstances.

EEQ is presently the one agreed exception to the non-discriminatory principle included in the Dispatch Protocol, although the Applicants anticipate that, should another retailer replace or

[10] Clauses 2.9(i), 4.5, Dispatch Protocol.
[11] Clauses 2.9(i), 4.5, Dispatch Protocol.
[12] Clauses 2.9(j), 8.8(c), Schedule 8(7), Dispatch Protocol.

supplement EEQ's provision of retail services in the NWPS, the Applicants and other Participants would support the same arrangements being adopted for that retailer in respect of its residential load.

5.4 System security

The Commission has previously accepted that arrangements for maintaining power system security are in the public interest as long as they are efficient.[13] The proposed arrangements contain two key mechanisms for maintaining power system security:

- load shedding;[14] and
- restrictions on connection of large loads.

The Applicants submit that these arrangements enable Participants in the NWPS to avoid the need for the construction of excess redundancy in the generation and transmission systems and do no more than is necessary within that context to ensure security. The Commission has previously recognised that economic benefits can be derived for both producers and consumers from the deferral of new plant investment through reduced total capital requirements.[15]

(a) load shedding

Where there is a large disturbance in frequency or voltage, processes are required to ensure portions of the network are quickly isolated or loads quickly curtailed to avoid system instability or failure.

The Participants contemplate that any load shedding which occurs will be infrequent[16] and will be used as a last resort and only in a way which seeks to maintain overall system integrity and minimise the impact of the contingency event. Agreed automatic load shedding procedures,[17] including a priority load shedding schedule, are vital to ensure that, if the NWPS cannot be operated in a secure operating state, the risks of a system wide disruption and collapse are minimised. In a similar way, arrangements to co-ordinate ramp up of generation and reconnection of load following a load shed event[18] will minimise the impact of any disruption which does occur and ensure the system is returned to a steady operating state as soon as possible.

The NT Code provides for two measures to be applied to arrest the fall in frequency following the loss of generation – utilisation of available spinning reserve under the direction of the power system controller and disconnection of system load manually or by means of automatic protection.[19] It also expressly permits load shedding following a generation shortfall, whether caused by a demand or supply side issue.[20]

The NT Code has a centralised approach to reconnection/recommencement of supply to offtakers following a load shed event. Specifically, the NT Code permits the power system controller to direct as necessary users to take action necessary to ensure, maintain or restore the power system to a satisfactory operating state and to co-ordinate and direct any rotation of widespread interruption of demand in the event of a major supply shortfall or disruption.[21]

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[13] Applications for Authorisation A40074-A40076, National Electricity Code, 10 December 1997, p xiv.
[14] Clauses 2.9(m), 8.8, Dispatch Protocol.
[15] Authorisation of original electricity code, p x.
[16] Clause 8.4(f) , Dispatch Protocol.
[17] Clauses 2.9(m), 8.8, Dispatch Protocol.
[18] Clause 8.10, Dispatch Protocol.
[19] Clause 2.2.2, NT Code
[20] Clauses 2.2.2, 3.8.2, 4.2.3, 4.3.3(n), 4.3.4, 4.7.5, 4.7.6, 4.7.7, NT Code.
[21] Clause 4.3.3, NT Code.

The NER contains a mechanism for determining the rules for shedding loads. In essence, Chapter 4 provides for each jurisdiction to determine load shedding procedures, and then gives AEMO the right to interrupt supply in accordance with those procedures.

In the absence of express provisions permitting load shedding, the NER does not have express provisions dealing with reconnection of load. However, to the extent that the system operator was required to direct a participant to shed load, Chapter 4 requires the direction to be revoked as soon as it is no longer required, thereby permitting the relevant participant to recommence generation or reconnect load as appropriate.

(b) restrictions on connection of large loads

One feature unique to the isolated NWPS is that individual customers' power demands are relatively large in comparison to available capacity.[22] This means that it is necessary to coordinate connection of these loads to ensure system security is maintained.

The proposed arrangements involve limited restrictions on connection of individual loads rated greater than 3MW, or loads with an instantaneous apparent power demand during starting which is greater than 10MVA, to ensure system stability when such a connection or start is made. [23]

These measures are particular to the NWPS but are required because of the unique nature of the system.

The Applicants submit that the proposed arrangements to specify technical requirements for generation and connection are efficient as they do no more than set a minimum standard of technical competence, consistent with good operating practice, relevant Australian standards, the Electricity Industry Code (Queensland) and recognised industry codes of practice. They do not impose any unnecessary barriers to those seeking to join the NWPS, as they do not impose any requirements beyond those necessary to:

(i) ensure an adequate level of power system security and adequacy of supply; and

(ii) minimise the risk of overloading the system and involuntary load shedding.

5.5 Safe operation

In the Applicants' submission, safe operation of the electricity generation and transmission system is the most important public benefit of the proposed arrangements.

It is necessary in order to achieve a safe, reliable and stable system for the generators to co-ordinate certain activities of Participants in the NWPS. These activities include technical restrictions on new generation,[24] new load and network extensions,[25] load shedding procedures[26] and procedures to ramp up generation and reconnect load following a load shed event.[27]

The proposed arrangements can only be effective if they bind all generators and offtakers in the NWPS including proposed new generators or offtakers. Compliance by all Participants, particularly with technical requirements, load shedding and restrictions on connection of large individual loads, is vital to preserve the integrity of the power system and ensure public safety.[28]

[22] Clause 8.4(a) , Dispatch Protocol.
[23] Clause 6.3, Dispatch Protocol.
[24] Clauses 2.9(b), 2.9(p), 3.4, 4.8, Dispatch Protocol.
[25] Clauses 2.9(b), 2.9(r), 3.4, 5.3, Dispatch Protocol.
[26] Clauses 2.9(m), 8.8, Dispatch Protocol.
[27] Clause 8.10, Dispatch Protocol.
[28] Clauses 2.11, 3.4, Dispatch Protocol.

Both the NT Code and the NER require all generators and offtakers to comply with the jurisdiction's respective rules as amended from time to time.

6. Public detriments

The Applicants submit that the arrangements including the proposed conduct involve no discernible public detriment or anti-competitive effect.

The proposed conduct is confined to contracts, arrangements or understandings involving the conduct set out in Schedule 1 to this submission. Any potential detriment is reduced by the limited scope of the proposed conduct sought to be authorised and the express agreement in the Dispatch Protocol that the Participants will not discuss or disclose:

(a) the pricing under PPAs or ESAs;

(b) information which will prevent, restrict or limit the Participants' production capability or capacity to supply electricity;

(c) confidential information relating to each of the Participants, unless its disclosure is not prohibited by a PPA/ESA or a connection and access agreement, as the case may be, and is required for the operation of the Dispatch Protocol; and

(d) any other matter which may be in breach of the CCA.

At its worst, the proposed conduct involves technical breaches of the per se provisions of the CCA. The need to co-ordinate dispatch arises out of the physical realities of operating two generators on a single transmission system. The need to co-ordinate load shed arises because of the potential disruption that can be caused if there are no rules that regulate load shedding. New entrants are welcome on the generation and load side subject to meeting technical and physical requirements. This conduct does not give rise to significant public detriments.

6.1 No reduction in competition between the parties

The proposed conduct and the Dispatch Protocol will not lead to any reduction in competition between the Participants because it relates only to the technical and operational aspects of the dispatch and supply of electricity for which competition has already occurred, i.e. at the time of selecting an electricity supplier and negotiating the supply contract.[29] The proposed conduct does not affect the quantity or price of contracted supplies and does not limit or constrain competition by the generators for future contracts with customers.

(a) the proposed conduct facilitates generators meeting their contracted supply obligations – it does not affect the terms and prices on which those supplies are contracted

The proposed conduct for which authorisation is sought primarily relates to the co-ordination of dispatch of electricity,[30] requirements imposed on the major generators in respect of having sufficient generation capacity,[31] the circumstances when new loads or network extensions or additional generation capacity is permitted,[32] procedures for permitting the connection of large loads,[33] load shedding,[34] reconnection of loads

[29] Clauses 2.6, 2.7, Dispatch Protocol.
[30] Clause 6, Dispatch Protocol.
[31] Clauses 4.2, 4.5, Dispatch Protocol.
[32] Clauses 4.8, 5.3, Dispatch Protocol.
[33] Clauses 6.3, 6.4, 6.5, Dispatch Protocol.
[34] Clauses 2.9(m), 8.8, Schedule 7, Dispatch Protocol.

following a load shed event,[35] and the requirement that EEQ be given priority of dispatch from DPS generation.[36]

This conduct is not an area of competition between DPS Co and Stanwell. Rather, it relates to the technical and operational aspects of ensuring that the generators and the power system are capable of maintaining the quality of the supply obligations to all customers (which each generator has independently negotiated with its respective customers outside of the Dispatch Protocol).

The Applicants each have PPAs with their respective customers, under which the applicable generator and customer have agreed the price and non-price terms of the supply of electricity. The proposed conduct does not affect or relate to the negotiation of these PPAs and will have no impact on the price and non-price terms that the Applicants and their respective customers agree under their PPAs.

While the proposed conduct does involve the Generation Co-ordinator co-ordinating the dispatch of electricity, this is to enable the delivery of the necessary generation and to maintain system frequency, voltage and time error control for the NWPS. It does not relate to any co-ordination of the volume of electricity that each Applicant contracts to provide to their respective customers and does not affect the competition between the Applicants for the supply of electricity to customers.

Other than technical restrictions on connecting new loads which is addressed below, the only restrictions relating to the way customers connect or manage their load are clearly linked to the technical requirements, namely, the procedures relating to the connection of large loads,[37] load shedding,[38] and reconnection of loads following a load shed event.[39] These restrictions are only activated in limited circumstances to ensure stability of the system and to ensure that the load shedding can occur in a fast, safe and co-ordinated way to avoid system instability or failure. The co-ordination of connection of large loads, load shedding and reconnection of loads does not affect the volume of electricity that each Applicant has contracted to provide to their respective customers or the competition between the Applicants for the supply of electricity to customers – the restrictions merely manage the way that load is brought on to the system and would apply irrespective of which generator the customer has contracted for supply.

(b) restriction on use of shared information

The Dispatch Protocol will involve some sharing of information, including:

(i) each customer submitting to the Generation Co-ordinator and its respective major generator its energy forecasts;[40]

(ii) Participants notifying the Generation Co-ordinator of their planned shut downs each quarter for the next 12 months;[41] and

(iii) information being provided to Participants about the status and output of generating units, the status and load information for key sections of the supply

[35] Clause 8.10 and Schedule 8, Dispatch Protocol.
[36] Clauses 2.9(j), 8.8(c) Dispatch Protocol.
[37] Clauses 6.3, 6.4, 6.5, Dispatch Protocol.
[38] Clauses 2.9(m), 8.8, Schedule 7, Dispatch Protocol.
[39] Clause 8.10 and Schedule 8, Dispatch Protocol.
[40] Clauses 6.2(a)-(e), Dispatch Protocol.
[41] Clause 6.2(f), Dispatch Protocol.

network, customer loads and income circuit breakers, and the status of embedded power stations.[42]

This information is shared to allow the Generation Co-ordinator and the major generators to plan to meet the requirements of their respective customers.

To the extent this information is confidential, NWPS Participants are limited to using confidential information received as a consequence of their membership of the Working Committee (which consists of a representative from each Participant) solely for tasks necessary to implement requirements of the Dispatch Protocol.

(c) Dispatch Protocol restrictions to ensure competition maintained

It is important to understand that the Dispatch Protocol by its very nature does not involve substantive anti-competitive conduct. However, it recognises that it is an agreement between competing suppliers and buyers in a limited system and therefore provides clear boundaries as to what conduct is not to occur. The Applicants submit that this recognition further reduces the potential for any public detriment. As noted above, the Applicants and other Participants expressly agree in the Dispatch Protocol that the Participants will not discuss or disclose:

(i) the pricing under PPAs or energy supply agreements;[43]

(ii) information which will prevent, restrict or limit the Participants' production capability or capacity to supply electricity, other than as required to maintain the safety and stability of the NWPS;[44]

(iii) confidential information relating to each of the Participants, unless its disclosure is not prohibited by a PPA, energy supply agreement, or a connection and access agreement (as the case may be) and is required for the operation of the Dispatch Protocol;[45] and

(iv) any other matter which may be in breach of the CCA.[46]

6.2 No creation of barriers to entry for new entrants

The proposed conduct and the Dispatch Protocol will not create barriers to entry for any new entrants who may wish to sell or provide electricity to the NWPS (either as a retailer, major generator or smaller operations where electricity is a by-product of other operations).

(a) Terms of the Dispatch Protocol

Under the proposed Dispatch Protocol:

(i) the Working Committee[47] will admit a new entrant who may wish to provide electricity to the NWPS if:

(A) its facilities comply with the technical standards for the NWPS outlined in the Dispatch Protocol;[48]

(B) the set of system studies including stability studies has been completed as per the technical requirements as detailed in Schedule 3 and the results of

[42] Clause 7.1, Dispatch Protocol.
[43] Clause 10(a)(i), Dispatch Protocol.
[44] Clause 10(a)(ii), Dispatch Protocol.
[45] Clause 10(a)(iii), Dispatch Protocol.
[46] Clause 10(a)(iv), Dispatch Protocol
[47] Clause 2.11, Schedule 1, Dispatch Protocol.
[48] Clause 3.4(a), Dispatch Protocol.

the system studies show that the facilities will not adversely impact the safety, reliability and quality of electricity supply in the NWPS and of its Participants;[49] and

(C) it becomes a signatory to the Dispatch Protocol;[50] and

(ii) a Participant which is a generator or network operator must not undertake or allow the addition of generation capacity to the NWPS where the nameplate rating of the aggregate Generating Units or the value of the load exceeds the Threshold Demand unless the following conditions are met:

(A) compliance with the technical standards for the NWPS outlined in the Dispatch Protocol;[51] and

(B) approval from the Working Committee, which must not be withheld if:

(I) the set of system studies including stability studies has been completed as per the technical requirements outlined in the Dispatch Protocol;[52] and

(II) either:

- the results of the system studies show that the proposed generation will not adversely affect the safety, reliability and quality of electricity supply in the NWPS and of its Participants;[53] or
- the studies identify an adverse impact on the safety, reliability and quality of electricity supply, and the entity addresses those issues to the satisfaction of the Working Committee acting honestly and reasonably before connecting.[54]

(iii) consultation with all customers will also be required to ensure that current fault ratings within the customers' own systems are not exceeded because of the connection of new generation.[55]

In addition, under the Dispatch Protocol, provided a new entrant has agreed to be bound to the Dispatch Protocol, if a dispute arises between a new entrant and the Working Committee in relation to the above provisions, then the new entrant can seek to have the Working Committee's decision reviewed by an independent expert, whose determination will be binding.[56]

These provisions are not intended to create any barriers to entry. Rather, the purpose of these provisions of the Dispatch Protocol is to ensure the ability of the network to provide the quality of service required by users and to give certainty in relation to the standard and security of supply for new entrants. The key criteria are that the addition of the generation capacity will not adversely affect the safety, reliability and quality of electricity supply in

[49] Clause 3.4(c), Dispatch Protocol.
[50] Clause 3.4(d), Dispatch Protocol.
[51] Clause 4.8(a), Dispatch Protocol.
[52] Clause 4.8(b)(i), Dispatch Protocol.
[53] Clause 4.8(b)(ii)(A), Dispatch Protocol.
[54] Clause 4.8(b)(ii)(B), Dispatch Protocol.
[55] Clause 4.8, Dispatch Protocol.
[56] Clause 13, Dispatch Protocol.

the NWPS.[57] The requirements are no more onerous than those which would apply to a generator or major customer seeking a load elsewhere.

The requirements for new entrants to satisfy minimum technical requirements for generation and connection do no more than set a minimum standard of technical competence, consistent with good operating practice, relevant Australian standards, the Electricity Industry Code (Queensland) and recognised codes of practice.[58] These minimum technical requirements do not impose any unnecessary barriers to entry as they do not impose any requirements beyond those necessary to ensure an adequate level of power system security and adequacy of supply, and minimise the risk of overloading the system and involuntary load shedding. These minimum technical requirements are also not onerous to satisfy for a generator and are not unusual and the requirements and processes are generally consistent to those in the NEM. The requirements ensure that the installed generation equipment is capable of complying with the necessary controls and protections to ensure that control of system voltage, reactive power, frequency and equipment defects are managed to a necessary standard for reliable electricity supply.

(b) transparency of requirements

The Dispatch Protocol was written for the operation and management of the NWPS and is kept secured. The Dispatch Protocol will be available free of charge to potential new entrants and genuinely interested parties by contacting the Generation Co-ordinator.

These arrangements are consistent with arrangements in place in the North West Interconnected System.

(c) time frame for admission of new entrants

Admission of a new entrant will involve that person obtaining a copy of, and signing up to, the Dispatch Protocol and satisfying the Working Committee that its facilities comply with the technical standards for the NWPS outlined in the protocol as set out above. If the prospective new entrant is not satisfied with the Working Committee's decision, it can have the Committee's decision reviewed by an independent expert, whose determination will be binding.

It is difficult to predict time frames as it will depend on the nature, size and operating characteristics of the new load or generation and will likely require the new entrant to also enter into a range of contracts, eg connection agreement with Ergon and electricity supply agreements. The Dispatch Protocol does not include set time frames for steps given the variation between potential projects. However, the Working Committee meets at least quarterly and therefore is in a position to provide timely feedback and approvals.

6.3 No discrimination against particular customers or groups of customers

The proposed conduct will not result in discrimination against particular customers or groups of customers.

It is proposed that DPS Co will be the Generation Co-ordinator. In exercising its functions as the Generation Co-ordinator, DPS Co would not have the ability or incentive to discriminate against Stanwell's or any other generator's customers for the following reasons:

[57] Clause 4.8, Dispatch Protocol.
[58] Clauses 2.8(a), 3.1, Schedule 2, Dispatch Protocol.

(e) DPS Co must comply with the obligations imposed on the Generation Co-ordinator under the Dispatch Protocol, including the obligation to act impartially in all dealings relating to the NWPS.[59]

(f) the decisions of the Generation Co-ordinator can be reviewed by the Working Committee at any time at a meeting of the Working Committee, and the Working Committee will provide opportunities for Participants to provide feedback and concerns to the Generation Co-ordinator.[60]

(g) the performance of the Generation Co-ordinator will be reviewed by the Working Committee at least annually and the Working Committee can seek to reallocate the position of Generation Co-ordinator if there is a major change in the roles of major generators in the NWPS or if the Generation Co-ordinator is not carrying out its functions under the Dispatch Protocol to the majority of the Working Committee's satisfaction.[61]

(h) the Generation Co-ordinator is exposed to liability to a Participant for acts or omissions to the extent it has not acted in good faith.[62]

The Applicants note that the Dispatch Protocol has been prepared pursuant to discussions between the Applicants and each of their respective customers, who are motivated to ensure there will not be any discrimination towards themselves or, in the case of the Applicants, their respective customers.

There is one agreed exception to the non-discriminatory principles included in the Dispatch Protocols. EEQ (Ergon's retail business) is to be given priority of dispatch from DPS generation and will be load shed last.[63] This priority ensures that domestic customers of Ergon in Mt Isa are given priority and has been agreed to by DPS Co's other customers

7. Likely "future with" the proposed conduct

The Applicants submit that the likely future with the conduct is, as set out above in Section 2.5, that the commissioning of the DPS will reduce the MCPS' supply to customers for at least the next 5 years.

While MCPS will continue to supply MMG Century Limited, DPS will supply electricity to MIM and EEQ. In 2013 MMG Century's average demand from the MCPS was approximately [**CONFIDENTIAL**] MW. MIM's average demand from the MCPS (including the Ergon Energy load) was approximately [**CONFIDENTIAL**] MW from the MCPS in the same period.

MCPS will also supply MMG Dugald River Pty Limited once it is connected to the NWPS.

The commissioning of the DPS will have no immediate impact on MCPS' generation capacity.

Since the previous application was made, two units at MCPS (A1and A2) have been retired. This has reduced MCPS' generation capacity from 304.7 MW to 246.8MW. A further unit, A4, is likely to be decommissioned late this year, resulting in a further 30MW decrease in MCPS' generation capacity.

[59] Clause 2.12(a), Dispatch Protocol.
[60] Clause 2.13, Dispatch Protocol.
[61] Clause 2.15(b), Dispatch Protocol.
[62] Clause 15(b), Dispatch Protocol.
[63] Clauses 2.9(j), 8.8(c) Dispatch Protocol.

8. Likely "future without" the proposed conduct

8.1 Potential counterfactuals

Stanwell and DPS consider that the most likely "future without" the proposed conduct that would not require authorisation from the Commission is:

(a) while there may be some elements of the existing dispatch protocol which could be retained, it was developed on the basis of there being only one major generator supplying all the customers and so would not be appropriate when there are two major generators on the NWPS each supplying their own customers;

(b) the new Dispatch Protocol would not be implemented and there would be no arrangements between Stanwell, DPS Co and other NWPS Participants which provides for the co-ordination of dispatch of major generators and load shedding;

(c) Ergon would, by default, as the network operator, have the responsibility of setting the standards and technical requirements for new load and generation connecting to the NWPS;

(d) the two major generators, Stanwell and DPS Co, would operate their power stations on a shared grid;

(e) each of Stanwell and DPS Co would unilaterally operate their power stations to supply the expected load of their customers; and

(f) each of Stanwell and DPS Co would enter into separate load shedding arrangements with their customers which would involve the installation of new technical solutions and/or customers agree to underwrite new generation capacity to reduce the need for load shedding or enter into back up supply arrangements with the other generator. However, in practice, neither generator could island their generation in the event of major loss of generation without shutting down the other party's customers.

Ergon has no statutory function of co-ordinating the dispatch of load and may not have the technical capability or interest in doing so. As a result, without an agreement between the parties, the system risks being in imbalance. This can create frequency instability and increase the probability of unit trips, which risks the safe reliable operation of the system.

The consequences of this counterfactual are discussed in Section 8.2.

Another possible "future without" the proposed conduct that would not require authorisation from the ACCC is that Ergon augments its electricity system in such a way as to enable each of Stanwell and DPS Co to generate and dispatch directly to their respective customers. This is likely to involve substantial works and could potentially involve duplicating much of the existing electricity transmission system. This scenario is not realistic given the expense involved but is considered further in Section 8.3.

The Applicants submit that nominating Ergon or a third party to assume the role of Generation Co-ordinator[64] instead of DPS Co as currently envisaged under the Dispatch Protocol would not obviate the need for authorisation. The potential issues with Ergon or a third party becoming the Generation Co-ordinator are discussed further in Section 8.4.

[64] Clause 1 'Generation Co-ordinator' definition and clause 2.12, Dispatch Protocol.

8.2 No co-ordination of generation or load shedding

As described above, the mostly likely "future without" the proposed conduct that would not require authorisation would involve no arrangement between Stanwell, DPS Co and other Participants relating to the co-ordination of dispatch of generators and for load shedding.

As compared to the proposed conduct, this counterfactual does not give rise to any additional or alternative public benefits.

However, this counterfactual is likely to give rise to a number of additional public detriments. In effect, the counterfactual removes a number of the public benefits which would arise from the proposed conduct.

First, it is likely to result in lower quality and reliability of supply, including a higher likelihood of power surges and brown outs. This is because there would be no entity co-ordinating the dispatch of electricity and managing the alignment of demand and supply to maintain system frequency, voltage and reactive power flows and time error control for the NWPS.[65]

Second, as compared to the proposed conduct, this counterfactual is likely to result in lower system security, higher instances of system failure, higher risks and impacts for customers in relation to a system wide disruption, and a more significant impact of any disruption that does occur to customers because there would be:

(a) no agreed isolation and load shedding procedures,[66] which are required to ensure portions of the network are quickly isolated or loads quickly curtailed to avoid system instability;

(b) no agreed automatic load shedding priorities covering the whole of the NWPS,[67] which are required to ensure that the risks to customers of a system wide disruptive event and collapse are minimised;

(c) no co-ordination of ramp up of generation and reconnection of load following a load shed event,[68] which is required to minimise the impact of any disruption which does occur and to ensure the system is returned to a steady operating state as soon as possible; and

(d) no agreed restrictions and procedures on connections of large loads as between all Participants,[69] which is required to ensure system stability when such a connection is made.

Third, this counterfactual, as compared to the proposed conduct, also increases safety risks. This is because, for the reasons outlined above, the counterfactual is likely to result in higher system instability and supply interruptions, which could have significant safety implications given electricity in the NWPS is mainly used for mining and industrial applications.

Fourth, this counterfactual is likely to involve increased costs for customers due to the need to:

(i) pay for generator specific load shedding schemes; and/or

(ii) contract and pay for back up supply from the other generator in the absence of relying on co-ordinated system wide load shedding to remove the need for significant reserve generation; and/or

(iii) fund additional reserve generation.

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[65] Clause 6, Dispatch Protocol.
[66] Clauses 8, 9.3, schedule 7, Dispatch Protocol.
[67] Clause 8.8, Schedules 7 and 8, Dispatch Protocol.
[68] Clauses 8.9, 8.10, Schedule 8, Dispatch Protocol.
[69] Clauses 6.3, 6.4, 6.5, Dispatch Protocol. Customers could give their own generation counterparty notice of connection of a large load but the Dispatch Protocol provides for notice to be given to the Generation Co-ordinator to ensure that the aggregate generation on the system is managed to take into account that event.

Further, even if Stanwell and DPS Co build additional reserve generation capacity in place of reliance on co-ordinated load shedding, there would still likely be lower quality and reliability of supply, lower system security and an adverse impact on safety, as compared to the proposed conduct due to the inability to coordinate generation dispatch.

Consequently, as compared to this counterfactual, the proposed conduct is likely to result in the public benefits of increased quality and reliability of supply, increased system security and increased safety. These are outlined in further detail in Section 5 of this submission.

The proposed conduct is also likely to result in the public benefit of higher efficiency and lower costs to users, as compared to this counterfactual by removing the need to provide alternative supply mechanisms.

8.3 Electricity transmission augmentation

The need for the proposed conduct arises because there will be two major generators which are separately owned utilising a shared grid. If each generator had their own transmission path to their customers, there would be no need for generation co-ordination and load shedding as there would, in effect, be two separate electricity networks. Theoretically, the Participants could engage Ergon to undertake transmission augmentation to achieve this. However, it is not a practical solution and therefore is not a realistic counterfactual for the following reasons.

First, the level of augmentation to remove the need for the proposed conduct is likely to be significant. DPS Co and Stanwell's customers are located at various points on Ergon's grids and the supply from the generators (DPS, LPS and the various MCPS units) utilise shared switchyards, transformers and transmission lines to supply the customers. It is not an easily separable system. Therefore, it is likely that Ergon would need to undertake significant works involving substantial duplication of existing assets.

Second, this solution would involve significant cost which would ultimately need to be borne by customers. Assuming even a moderate level of duplication, the costs would be substantial. Given one electricity transmission system is sufficient to meet the requirements of the NWPS, the construction of a duplicate electricity transmission system would result in inefficiency and ultimately higher costs to customers, as compared to the proposed conduct.

Consequently, as compared to this unlikely counterfactual, the proposed conduct is likely to result in the public benefits of higher efficiency and lower costs to users.

8.4 Ergon or a third party to become the Generation Co-ordinator

It is possible in theory for Ergon or a third party to be appointed as Generation Co-ordinator instead of DPS Co. This would address, on a "structural" basis, one potential issue arising out of the proposed conduct relating to DPS Co, as the Generation Co-ordinator, favouring its own customers. However, this is only a partial solution and has a number of practical hurdles.

First, it is a partial solution because even if Ergon or a third party were to become the Generation Co-ordinator, the Applicants would still require authorisation to engage in the proposed conduct. The only difference would be the identity of the Generation Co-ordinator. For the reasons discussed in Section 6.3 above, the appointment of DPS Co as the Generation Co-ordinator would not give DPS Co (as the Generation Co-ordinator) the ability or the incentive to discriminate against particular customers or groups of customers and would not be likely to result in any public detriments.

Second, in practice, there would be difficulty in appointing Ergon or a third party as the Generation Co-ordinator for the following reasons.

(a) the Applicants do not believe Ergon would be willing to undertake the functions of the Generation Co-ordinator role.

(b) the role involves altering the operation of DPS Co's and Stanwell's generation either directly or indirectly to match load and system requirements. This is why the Generation Co-ordinator role is generally assigned to the largest generator on the system as it has the direct control and responsibility of the plant able to best manage system and load changes. While DPS Co as Generation Co-ordinator will not have control over Stanwell's plant, it is locally based and able to liaise with Stanwell in real time to deal with issues.

(c) in contrast, Ergon's expertise primarily relates to network operation rather than generation dispatch and it would need to obtain additional technical skills and experience to understand and instruct DPS Co and Stanwell on how their generators should respond in particular circumstances. Further, Ergon's control room is located in Townsville. While these issues could be dealt with by additional physical systems, automated processes and operational procedures, this would involve substantial additional cost and time when compared to a party that is ideally placed to undertake the role and has the support of all Participants in the NWPS to do so.

(d) these same issues arise with a third party but are magnified as Ergon has at least some of the supporting infrastructure and experience of the NWPS to take on the role. Further, Stanwell and DPS Co are not aware of any third party service provider that clearly has the ability and expertise to undertake the functions of the Generation Co-ordinator for the NWPS.

(e) finally, even if Ergon or a third party were able to, and wanted to be appointed as the Generation Co-ordinator, Stanwell and DPS Co would have to pay Ergon or the third party to undertake these functions and customers would need to agree to bear this additional cost. By contrast, DPS Co will not be paid to be the Generation Co-ordinator,[70] which would result in cost savings.

Accordingly, this is an expensive and complicated solution to address one theoretical issue arising from the proposed conduct which does not necessarily remove the need for authorisation. Consequently, there is a net public benefit from DPS Co being appointed the Generation Co-ordinator (as opposed to Ergon or a third party).

9. Conclusion

For the reasons set out above, the Applicants submit the arrangements including the proposed conduct involve substantial public benefits and no discernible public detriment. The Applicants seek authorisation as outlined above.

[70] Clause 2.12(m), Dispatch Protocol.

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

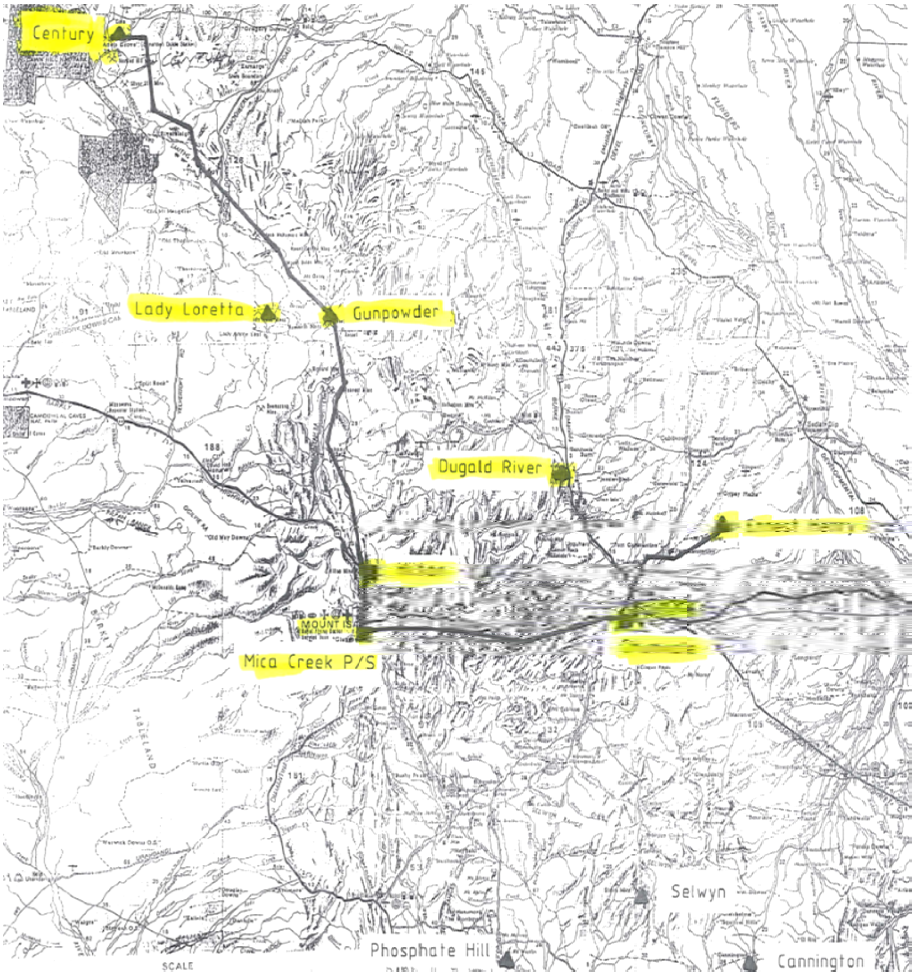
(ii) permit new generators to connect to the NWPS,

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.

Schedule 2


Century
Lady Loretta
Gunpowder
Dugald River
Mica Creek P/S
Selwyn
Phosphate Hill
Cannington

Arrangements identified in Schedule 1 of Submission in support of Application for Authorisation

No.	Arrangement	Clause	Competition Concerns
1.	**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.	2.9 High Level Principles The Dispatch Protocol is based on the following high level principles: … (h) the Generation Coordinator will be responsible for coordinating the operations of the Major Power Stations so that the following factors are controlled effectively and in compliance with the requirements of Schedule 2:- (i) system frequency; (ii) voltage and reactive power flows through suitable control mechanisms; (iii) Major Generator loading in compliance with contractual obligations through application of appropriate governor control mechanisms; and (iv) management of the Major Generators' energy balance process. … 2.12 Generation Co-Ordinator The Generation Coordinator is appointed by the Working Committee and is responsible for the following:- … (b) to coordinate the process for generation dispatch between Major Generators in compliance with their respective contractual obligations, including any energy balance program; … 4.2 Energy Dispatch ... The Generation Co-ordinator has the obligation to coordinate the respective levels of generation into, and load from, the Supply Network to enable the delivery of the necessary generation and to maintain system frequency, voltage and time error control for the NWPS as required by this Dispatch Protocol (including Schedule 2). Subject to the terms of the Energy Balance Agreement, each Major Generator must comply with the instructions of the Generation Co-ordinator given in accordance with this Dispatch Protocol. 8.8 Major Generation Shortfall ... (b) Load Shedding System - LSS To avoid cascade tripping of generating units, a system of PLS, supported by a back-up FILS, following a generation shortfall will be provided by the MLSS. DPS Co will install the MLSS at	These arrangements may raise competition issues under the prohibitions on cartel conduct provisions (sections 44ZZRD(3)(a)(i) and (iii)), 44ZZRF, 44ZZRG, 44ZZRJ and 44ZZRK) and exclusionary provisions (sections 45(2)(a)(i) and (2)(b)(i) and 4D) by imposing restrictions on the major generators' ability to produce and supply electricity to their customers.

No.	Arrangement	Clause	Competition Concerns

DPS and the necessary connections via dedicated communication links to MCPS and to the relevant SLSS at each Offtaker's site.

A PLS trip is initiated by a Generating Unit circuit breaker opening and causing a deficiency in total system on-line generation capacity compared with the system load at the time.

For a PLS trip, load shed signals are sent quickly (typically less than 50 milliseconds) to an SLSS unit at each Offtaker's site. The SLSS unit is connected directly to interrupters controlling the loads nominated for shedding.

Schedules 7 and 8 describe the MLSS and SLSS, including prioritisation of shedding and the procedures to be followed for implementation.

(c) Allocation of Loads to be shed

Controlled shedding of up to half of the connected loads would be effective in the majority of Contingency Events to restore the balance between generation capacity and load demand. If the frequency was not able to recover after this amount of load was shed, it is probable that no further shedding short of islanding the Major Power Stations and the total disconnection of all Offtakers would prevent complete loss of all generation.

Tripping of Offtaker loads by the MLSS will be aligned with the ESA or PPA supplying that Offtaker, i.e. the MLSS will prioritise tripping:

(i) DPS Co's Offtakers' loads following a loss of DPS generation; and

(ii) MCPL's Offtakers' loads following a loss of MCPS.

...

(d) Back-up Systems

In the event of failure of the MLSS, a Supply Network fault or a major fault in a Participant's facility, the under frequency relay (FILS) installed at each Offtaker's site will operate at a time dependent on the rate of change of frequency. This will function in an entirely reactive manner by monitoring system frequency and rate of change of frequency (ROCOF).

The purpose of the FILS is to back-up the MLSS in event of its failure, or the failure of the communication system to each Offtaker's SLSS, or a failure to respond to a generation shortfall situation undetectable by the MLSS. The operations of the FILS will be delayed to allow the PLS

No.	Arrangement	Clause	Competition Concerns
		time to act (where relevant and available). As a final resort, the 132kV and 220kV feeders from the Generating Units would be tripped by a FILS system to Island the Major Power Stations, should the under frequency systems at the Offtakers' sites fail to shed sufficient load quickly enough to restore system frequency.	
2.	**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.	2.9 High Level Principles The Dispatch Protocol is based on the following high level principles: …. (i) Major Generators are required to have available sufficient generation capacity to ensure that they can satisfy the contractual obligations to relevant Offtakers or Customers in relation to:- (i) contracted load; (ii) Spinning Reserve; and (iii) Reserve Plant Margin; 4.5 Generation Capacity The capacity of the generating plant in service at any time will be subject to the terms of the Participants' ESAs and PPAs for loads contracted and forecast by Offtakers and Customers. Each Major Generator must provide Spinning Reserve and Reserve Plant Margin as required under the ESAs and PPAs with their respective Offtakers. Other than the obligation to ensure adequate spinning reserve is maintained under clause 2.12(m), there is no specific requirement for Spinning Reserve or Reserve Plant Margin under this Dispatch Protocol. ...	These arrangements may raise competition issues under the prohibitions on cartel conduct provisions (sections 44ZZRD(3)(a)(ii), 44ZZRF, 44ZZRG, 44ZZRJ and 44ZZRK) by imposing restrictions on the major generators' capacity to supply electricity.
3.	**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	2.9 High Level Principles The Dispatch Protocol is based on the following high level principles: … (b) new generation capacity and load on and changes to the network configuration within, the NWPS are welcome, subject to certain such changes complying with necessary technical requirements and satisfactorily addressing any issues that the new generation capacity, load or changed configuration may raise for safety, reliability and quality of electricity supply; … (r) a Threshold Change will be permitted by the Working Committee as long as the Working	These arrangements may raise competition issues under the prohibitions on cartel conduct provisions (sections 44ZZRD(3)(a)(iii), 44ZZRF, 44ZZRG, 44ZZRJ and 44ZZRK) and exclusionary provisions (sections 45(2)(a)(i) and

No.	Arrangement	Clause	Competition Concerns
	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.	Committee is satisfied that the entity carrying out the relevant change complies with the requirements of Schedule 2. The Working Committee has no role in respect of the connection of generation or load, or changes to networks comprising the NWPS, where that change is not listed in section 1(a) of Schedule 3. 3.4 New Entrants and New Facilities in the NWPS The requirements for new and modified facilities are detailed in Schedule 2 and clauses 4.8 and 5.3. The Working Committee will permit a Participant to carry out a major extension to, or replacement of major components in, existing facilities, provided that the modifications to existing facilities comply with the requirements in Schedule 2 and, where relevant, Schedule 3. The Working Committee will admit a New Entrant if: (a) prior to the disclosure of any Confidential Information to the New Entrant, the New Entrant enters into a confidentiality agreement with the Participants (on terms and conditions reasonably satisfactory to the Participants) (b) its facilities comply with the requirements in Schedule 2 (c) the set of system studies including stability studies has been completed as per the technical requirements as detailed in Schedule 3 and the results of the system studies show that the facilities will not adversely impact the safety, reliability and quality of electricity supply in the NWPS and of its Participants; and (d) it becomes a signatory to this Dispatch Protocol. ... 5.3 Future additions to the Supply Network A Participant which is a Network Owner or Network Operator may not undertake or allow any extension to the Supply Network or major changes of load to the NWPS where the value of the load exceeds the Threshold Demand unless the following conditions are met: (a) compliance with the technical requirements as detailed in Schedule 2; and (b) approval from the Working Committee which approval must not be withheld if:	(2)(b)(i) and 4D) by: • imposing restrictions on the major generators' ability to supply electricity to their customers and new entrants; and • imposing restrictions on entry to the NWPS.

No.	Arrangement	Clause	Competition Concerns
		(i) the set of system studies has been completed as per the technical requirements as detailed in Schedule 3; and (ii) either: (A) the results of the system studies show that the proposed activities will not adversely impact the safety, reliability and quality of electricity supply in the NWPS and its Participants; or (B) the studies identify an adverse impact on the safety, reliability and quality of electricity supply, and the entity addresses those issues to the satisfaction of the Working Committee (acting honestly and reasonably) before connecting.	
4.	**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	2.9 High Level Principles The Dispatch Protocol is based on the following high level principles: … (b) new generation capacity and load on and changes to the network configuration within, the NWPS are welcome, subject to certain such changes complying with necessary technical requirements and satisfactorily addressing any issues that the new generation capacity, load or changed configuration may raise for safety, reliability and quality of electricity supply; ... (p) subject to clause 2.9(q), any equipment installed and commissioned after the Effective Date must comply with the requirements of this Dispatch Protocol, including Schedule 2, sections 2 – 17 and any other Schedules that may be applicable; 3.4 New Entrants and New Facilities in the NWPS The requirements for new and modified facilities are detailed in Schedule 2 and clauses 4.8 and 5.3. The Working Committee will permit a Participant to carry out a major extension to, or replacement of major components in, existing facilities, provided that the modifications to existing facilities comply with the requirements in Schedule 2 and, where relevant, Schedule 3. The Working Committee will admit a New Entrant if: (a) prior to the disclosure of any Confidential Information to the New Entrant, the New Entrant enters into a confidentiality agreement with the Participants (on terms and conditions	These arrangements may raise competition issues under the prohibitions on cartel conduct provisions (sections 44ZZRD(3)(a)(ii), 44ZZRF, 44ZZRG, 44ZZRJ and 44ZZRK) and exclusionary provisions (sections 45(2)(a)(i) and (2)(b)(i) and 4D) by: • imposing restrictions on the major generators' capacity to supply electricity; and • imposing restrictions on new generation connecting to the NWPS.

No.	Arrangement	Clause	Competition Concerns
	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.	reasonably satisfactory to the Participants) (b) its facilities comply with the requirements in Schedule 2 (c) the set of system studies including stability studies has been completed as per the technical requirements as detailed in Schedule 3 and the results of the system studies show that the facilities will not adversely impact the safety, reliability and quality of electricity supply in the NWPS and of its Participants; and (d) it becomes a signatory to this Dispatch Protocol. ... 4.8 Future Generation Capacity A Participant which is a Generator or Network Operator must not undertake or allow the addition of generation capacity to the NWPS where the nameplate rating of the aggregate Generating Units or the value of the load exceeds the Threshold Demand unless the following conditions are met: (a) compliance with the technical requirements as detailed in Schedule 2; and (b) approval from the Working Committee which approval must not be withheld if: (i) the set of system studies has been completed as per the technical requirements as detailed in Schedule 3; and (ii) either (A) the results of the system studies show that the proposed generation will not adversely impact the safety, reliability and quality of electricity supply in the NWPS and its Participants; or (B) the studies identify an adverse impact on the safety, reliability and quality of electricity supply, and the entity addresses those issues to the satisfaction of the Working Committee (acting honestly and reasonably) before connecting. The proposed operation of new generation in parallel with the Supply Network requires careful prior study and system design approval authorisation by the Working Committee and the Network Operator to do so. Consultation with all Offtakers will also be required to ensure that current fault	

No.	Arrangement	Clause		Competition Concerns
			ratings within the Offtakers' own systems are not exceeded because of the connection of new generation.	
5.	**Starting large load** The Participants will agree an approval procedure for permitting connection of large loads. In accordance with this procedure, the 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.	6.3	Starting of Single Large Capacity Equipment For large individual loads rated greater than 3MW, or those with an instantaneous apparent power demand during starting greater than 10MVA, a "permission to connect" procedure has been established. No such load may be started without the approval of the Generation Co-ordinator in accordance with the established procedure as outlined below. The Generation Coordinator and the relevant Offtaker or Customer must keep the relevant Major Generator informed of the following communications. This takes the form of verbal communication between the Offtaker and the Generation Co-ordinator at least 30 minutes prior to the intended starting of such large loads. The Offtaker will nominate the intended starting time of day and the particular load to be started. The MW limit for large loads will be reviewed periodically and adjusted to match system capability as the power generation capacity is increased over time. Proposals to amend these load ratings should be submitted to the Working Committee for approval. If sufficient generation capacity will be available from the relevant Generator at the nominated time, the Generation Co-ordinator will promptly advise permission to start. Where notice is less than 30 minutes and the required generation capacity is immediately available, the Generation Co-ordinator is not to withhold or delay permission. The Offtaker will be required to communicate again if the intended starting or stopping time of day, or duration of the plant operation, is to be varied substantially from that previously nominated to the Generation Co-ordinator and relevant Generator. The Offtaker is to communicate to the Generation Co-ordinator any substantial unscheduled interruption (i.e. greater than a 10MW load and 30 minutes duration) by the Offtaker of a load that automatically stops and restarts, is cyclic in operation, and is operating under a previous permission. The load may be restarted following the unscheduled interruption without a further permission to connect, providing the load will be operating within the forecast limits previously nominated. In the future the verbal communication procedure for permission to connect may be automated through an interlocking system subject to agreement between the Offtaker, the relevant Major Generator and the Generation Co-ordinator to do so, and it being technically feasible.	These arrangements may raise competition issues under the prohibitions on cartel conduct provisions (sections 44ZZRD(3)(a)(iii), 44ZZRF, 44ZZRG, 44ZZRJ and 44ZZRK) and exclusionary provisions (sections 45(2)(a)(i) and (2)(b)(i) and 4D) by imposing restrictions on the major generators' ability to supply electricity.

No.	Arrangement	Clause	Competition Concerns
6.	**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.	2.9 High Level Principles The Dispatch Protocol is based on the following high level principles: … (m) automatic load shedding, implemented through the LSS, will be used to protect the NWPS and to mitigate the risk of a system collapse. Together with the SLSS, the MLSS will automatically disconnect agreed Load Shed Blocks within Offtakers' facilities in a structured process, and FILS installed at each Offtaker's site will act to back up the MLSS; … 8.8 Major Generation Shortfall … (b) Load Shedding System – LSS To avoid cascade tripping of generating units, a system of PLS, supported by a back-up FILS, following a generation shortfall will be provided by the MLSS. DPS Co will install the MLSS at DPS and the necessary connections via dedicated communication links to MCPS and to the relevant SLSS at each Offtaker's site. A PLS trip is initiated by a Generating Unit circuit breaker opening and causing a deficiency in total system on-line generation capacity compared with the system load at the time. For a PLS trip, load shed signals are sent quickly (typically less than 50 milliseconds) to an SLSS unit at each Offtaker's site. The SLSS unit is connected directly to interrupters controlling the loads nominated for shedding. ... (c) Allocation of Loads to be shed Controlled shedding of up to half of the connected loads would be effective in the majority of Contingency Events to restore the balance between generation capacity and load demand. If the frequency was not able to recover after this amount of load was shed, it is probable that no further shedding short of islanding the Major Power Stations and the total disconnection of all Offtakers would prevent complete loss of all generation. Tripping of Offtaker loads by the MLSS will be aligned with the ESA or PPA supplying that Offtaker, i.e. the MLSS will prioritise tripping: (i) DPS Co's Offtakers' loads following a loss of DPS; and	These arrangements may raise competition issues under the prohibitions on cartel conduct provisions (sections 44ZZRD(3)(a)(i) and (iii), 44ZZRF, 44ZZRG, 44ZZRJ and 44ZZRK) and exclusionary provisions (sections 45(2)(a)(i) and (2)(b)(i) and 4D) by: • imposing restrictions on the major generators' ability to produce and supply electricity to their customers; and • imposing restrictions on customers' acquisition of electricity from their major generator.

No.	Arrangement	Clause		Competition Concerns
			(ii) MCPL's Offtakers' loads following a loss of MCPS. (d) Back-up Systems In the event of failure of the MLSS, , a Supply Network fault or a major fault in a Participant's facility, the under frequency relay (FILS) installed at each Offtaker's site will operate at a time dependent on the rate of change of frequency. This will function in an entirely reactive manner by monitoring system frequency and rate of change of frequency (ROCOF). The purpose of the FILS is to back-up the MLSS in event of its failure, or the failure of the communication system to each Offtaker's SLSS, or a failure to respond to a generation shortfall situation undetectable by the MLSS. The operations of the FILS will be delayed to allow the PLS time to act (where relevant and available). As a final resort, the 132kV and 220kV feeders from the Generating Units would be tripped by a FILS system to Island the Major Power Stations, should the under frequency systems at the Offtakers' sites fail to shed sufficient load quickly enough to restore system frequency.	
7.	**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.	8.10	Procedure for restoration ... Managing the restoration in the most appropriate manner is likely to require a detailed exchange of data between the affected control centres. It may be necessary for the Generation Coordinator, in consultation with the Major Generators, to make decisions regarding the restoration schedule to satisfy the priorities presented by all Offtakers and Customers and the operational capability of the NWPS. ... Each load shed event or system black event will need to be addressed as an individual event. Past operating experience will be of value in understanding the range of issues to be resolved during a system restoration. It is essential that the Generation Co-ordinator leads the coordination of the restoration program (in consultation with the Major Generators) and that all Participants in the NWPS cooperate to the fullest possible extent with requests made of them. Any such event will need to be the subject of a review by the Working Committee, in which performance concerns and improvement opportunities are identified for future application.	These arrangements may raise competition issues under the prohibitions on cartel conduct provisions (sections 44ZZRD(3)(a)(i) and (iii), 44ZZRF, 44ZZRG, 44ZZRJ and 44ZZRK) and exclusionary provisions (sections 45(2)(a)(i) and (2)(b)(i) and 4D) by imposing restrictions on the major generators' ability to produce and supply electricity to their customers.
8.	**Arrangements in relation to EEQ**	2.9	High Level Principles The Dispatch Protocol is based on the following high level principles: …	These arrangements may raise competition issues under the prohibitions on

No.	Arrangement	Clause		Competition Concerns
	The Major Generators agree that EEQ is to be given priority of dispatch from DPS generation.	(j)	EEQ load is to be given priority of dispatch from DPS. However, this does not exclude EEQ loads from being included in the LSS framework. This does not apply to dispatch from MCPS because EEQ does not have a ESA or PPA for electricity supply from MCPS; 8.8 Major Generation Shortfall (c) Allocation of Loads to be shed ... Approval is granted for all EEQ loads in a Load Shed Block to be the priority that is shed last by DPS Co during any relevant Contingency Event caused by a DPS Generating Unit trip (but ahead of the shedding of load that is not contracted to DPS Co). ...	cartel conduct provisions (sections 44ZZRD(3)(a)(iii), 44ZZRF, 44ZZRG, 44ZZRJ and 44ZZRK) and exclusionary provisions (sections 45(2)(a)(i) and (2)(b)(i) and 4D) by: • imposing restrictions on the major generators' ability to supply electricity; and • imposing restrictions on customers ' acquisition of electricity from their major generator.
9.	**Participants must be signatories to the Dispatch Protocol** The Major Generators agree that they will only: • supply electricity to offtakers; and • 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.	2.11	System Management – The Working Committee ... Participants in the NWPS must be signatories to the Dispatch Protocol. Representatives must be authorised by their Participating organisation to act on behalf of the Participant in their dealings with the Working Committee. ... 3.4 New Entrants and New Facilities in the NWPS The Working Committee will admit a New Entrant if: (a) prior to the disclosure of any Confidential Information to the New Entrant, the New Entrant enters into a confidentiality agreement with the Participants (on terms and conditions reasonably satisfactory to the Participants) (b) its facilities comply with the requirements in Schedule 2 (c) the set of system studies including stability studies has been completed as per the technical requirements as detailed in Schedule 3 and the results of the system studies show that the facilities will not adversely impact the safety, reliability and quality of electricity supply in the NWPS and of its Participants; and	These arrangements may raise competition issues under the prohibitions on cartel conduct provisions (section 44ZZRD(3)(a)(i) and (iii), 44ZZRF, 44ZZRG, 44ZZRJ and 44ZZRK) and exclusionary provisions (sections 45(2)(a)(i) and (2)(b)(i) and 4D) by: • imposing restrictions on the major generators' ability to produce and supply electricity to their customers and new entrants; and • by imposing restrictions on entry to the NWPS.

No.	Arrangement	Clause	Competition Concerns
		(d) it becomes a signatory to this Dispatch Protocol.	
10.	**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.		These arrangements may raise competition issues under the prohibitions on cartel conduct provisions (section 44ZZRD(3)(a)(i) and (iii), 44ZZRF, 44ZZRG, 44ZZRJ and 44ZZRK) and exclusionary provisions (sections 45(2)(a)(i) and (2)(b)(i) and 4D) by imposing restrictions on the major generators' ability to produce and supply electricity to their customers and new entrants.