



# Electricity Reform Fact Sheet

## Electricity Reform: Industry

***“Reform of energy markets in Eastern Australia has left WA with higher than average power costs and the State at a significant competitive disadvantage to the rest of Australia and other parts of the world where similar processes have occurred.”***

*Tim Shanahan, CME Chief Executive, 16 July 2003*

***“The decision... to restructure Western Power and open up the electricity market to competition is an important step forward for the State that will benefit all West Australians. WA's ability to sustain jobs and to attract investment will be enhanced by the changes the Government has approved.”***

*Lyndon Rowe CCI Chief Executive November 2002*

The State Government is moving ahead with a comprehensive plan to overhaul the State's electricity market.

Western Australia has amongst the highest prices for electricity in Australia and the least competitive electricity industry.

This is evidenced by:

- No market for the sale of uncontracted electricity
- No significant entry of new generators or retailers
- No independent oversight of access arrangements and network charges
- No incentive for Western Power to contract with other producers or customers.

The State Government's electricity reform plan aims to:

- Deliver competition and choice
- Drive sustainable cuts in electricity prices
- Improve service standards
- Promote economic growth
- Create thousands of new jobs.

Electricity reform will deliver cheaper prices by introducing competition into the State's monopolistic electricity industry.

This can only be done by splitting Western Power into separate businesses. Breaking the link between the generation and retail businesses means new players will be able to compete on a level footing.

Changing the structure of Western Power is just part of the solution. Getting the electricity market right is just as important in encouraging competition in new and replacement generation. This will be done through the creation of a wholesale market with a range of features to encourage new entrants, increase investment in electricity infrastructure and improve reliability.

### **ELECTRICITY REFORM IMPLEMENTATION**

The Electricity Reform Implementation Unit has developed a detailed electricity reform implementation plan.

The plan includes the following key milestones:

- Splitting Western Power into four separate business units, due to take formal effect in July 2004, subject to Parliamentary approval
- Creation of a wholesale market, due to start in July 2006, subject to Parliamentary approval
- Legislation, the bulk of which will be introduced into Parliament late in 2003
- Regulation, with an Energy Ombudsman scheme due to come into effect in December 2004, subject to Parliamentary approval
- Reduction of the contestability threshold to 5.7kw on 1 January, 2005
- A new regulatory framework, including a licensing regime and consumer protection measures.





## INDUSTRY INVOLVEMENT

Industry support and involvement is crucial to the success of electricity reform.

As a result, the State Government has embarked upon a comprehensive stakeholder consultation program.

A senior industry group has been appointed to provide input on the reform implementation program.

The Electricity Industry Reference Group gives senior industry representatives the chance to provide advice to Government on the direction of reform and on specific industry matters.

The reference group is chaired by Mr David Agostini, a member of the Council of Australian Governments (COAG) Energy Market Review Panel and a senior consultant to the petroleum industry.

## STAKEHOLDER CONSULTATION PLAN

The Electricity Reform Implementation Unit has embarked upon a structured and targeted approach to stakeholder consultation.

This is aimed at providing external stakeholders with the maximum opportunity to have their say.

The Implementation Unit will be involving industry stakeholders at a more detailed level and consulting widely through the release of position papers. The unit will also host a series of workshops and forums on specific electricity reform matters.

A high-level Market Rules Development Group, comprising senior representatives from industry, users and Western Power, will develop the rules for the operation of the new electricity market.

## FINDING OUT MORE ABOUT ELECTRICITY REFORM

Further information on electricity reform is available on the website <http://www.eri.energy.wa.gov.au>

Enquiries can be made to the Electricity Reform Implementation Unit on (08) 9420 5750 or by email to [eri@energy.wa.gov.au](mailto:eri@energy.wa.gov.au)

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**Electricity Reform Implementation Unit**