



Electricity Reform Fact Sheet

Electricity Reform: Safe, Reliable Supply

A major aim of electricity reform is to improve the reliability, security, quality and safety of supply.

The disadvantage with our current system is that Western Power – as a monopoly – is effectively the entire Western Australian electricity industry. If there is a problem at Western Power, there is a problem for electricity consumers.

Reform of the State's electricity industry will involve a number of measures to enhance longer term security and reliability of this supply.

Indeed, without the changes involved with reform, Western Australia's electricity supply can only suffer.

The key to a better service for consumers is to provide incentives for investment in generation and network capacity to safeguard the security and quality of supply as demand for electricity grows.

These incentives will come from creating four separate State-owned businesses in the areas of Generation, Networks, Retail and Regional Power. Western Power is NOT being privatised.

A separate business will look after the power needs of regional Western Australians outside of the South West Interconnected System (the main power grid of the south-west).

By keeping these entities in Government hands, we can continue to ensure the safety, security and reliability of electricity supply.

INVESTING IN GENERATION

The State Government is pressing ahead with the power procurement process, which involves commissioning new power plants to come on stream to meet future demand. This includes providing an opportunity for gas, coal and alternative fuels and technologies.

Above and beyond this process, \$100 million of taxpayers' money is needed each year in spending on future demand for energy capacity.

The key is to encourage private sector investment in generation. This means we would have a number of companies feeding electricity into the system, while keeping State Generation in Government hands.

Responsibility for ensuring there is enough generating capacity on the system will also reside with System Management through the available capacity (ACAP) mechanism.

Under ACAP, System Management will review longer term supply issues and will be able to commission the development of new generation capacity where reserve capacity is considered to be falling below reasonable limits. The ACAP regime will ensure an adequate level of capacity is available to System Management to maintain reliability.

This feature of electricity reform in Western Australia differs to arrangements on the east coast and means that reliability and security will not be compromised.

INVESTING IN NETWORKS

There is no doubt that Western Australia has an ageing electricity network that sometimes struggles to cope with the demands placed on it in regional areas.

The electricity reform model provides incentives for investment in network capacity to ensure a modern and reliable supply of electricity.

At the moment, Western Power's networks business must compete with other areas, such as generation for access to funding.

The reality is that the networks business unit often loses this battle because the returns on network investment (improvements in quality and reliability) are less attractive than investments in generation (increasing the volume of electricity).

Creating an independent networks business, properly funded by network access charges, means that it can focus on what it does best – efficiently operating its existing systems and upgrading the system when required.

State Networks' revenue stream will be guaranteed by regulation of access charges through an independent Economic Regulation Authority.





A BETTER DEAL FOR REGIONAL WA

The creation of a separate Regional Power business means it can focus on localised service delivery.

Both Regional Power and State Networks will be subject to technical and safety regulations to ensure adequate reliability, quality and security of supply in regional areas.

The Regional Power entity will also have an obligation to ensure it has sufficient generation capacity to maintain reliability at the lowest efficient cost.

Attracting private sector investment in generation will provide the opportunity to free up Government funds to upgrade regional networks and other Government priorities.

In the meantime, Western Power has more than doubled spending on regional South West Interconnected System power supply distribution and maintenance in the first two years of the Gallop Government.

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

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