



Electricity Reform Fact Sheet

Electricity Reform: Sustainable energy

THE GREEN LIGHT FOR A GREEN FUTURE

“WA’s current market structure does not adequately facilitate the local sustainable energy industry, with the current monopoly structure effectively controlling which projects and programs, renewable or otherwise, reach the consumer.”

*Matthew Rosser, Chairman,
Sustainable Energy Industry Association, 15 February 2002.*

Western Australia is developing a reputation as a clean, green State with enormous renewable energy resources and huge potential for growth.

However, the monopolistic nature of the State’s electricity industry and the current market arrangements have severely restricted the development of the local renewable energy industry.

The State Government’s electricity reform plan will enable Western Australia to properly harness its renewable energy resources to develop a world class sustainable energy industry.

The aim is to have privately owned and operated renewable energy generators in the South West Interconnected System (SWIS) producing a range of renewable energy products in a competitive retail market. Renewable energy will also continue to play a growing role in off-grid areas where conventional energy costs are high.

HOW REFORM PROMOTES SUSTAINABLE ENERGY

The renewable energy sector will be a major beneficiary of the Government’s electricity market reforms in the longer term. Importantly, issues faced by renewable energy generators will also be addressed in the transition period leading up to the new market.

TRANSITIONAL PERIOD

One of the major concerns of independent renewable energy providers in the current market is the limitations of the current balancing arrangements. The balancing arrangements are the mechanism used to purchase power shortfalls (“top up”) or sell surpluses (“spill”) and thus balance generation with the customer’s power requirements.

A new Top Up and Spill service is currently being developed for the transition period which will replace the current balancing arrangements. The Top Up and Spill service will overcome some of these current limitations, including those aspects criticised by renewable energy proponents, while providing as much consistency as possible with the future market arrangements.

Suitable support arrangements for the transition period are currently being considered. These will build on the benefits of the Top Up and Spill service and will not be finalised until Top Up and Spill details have been developed.

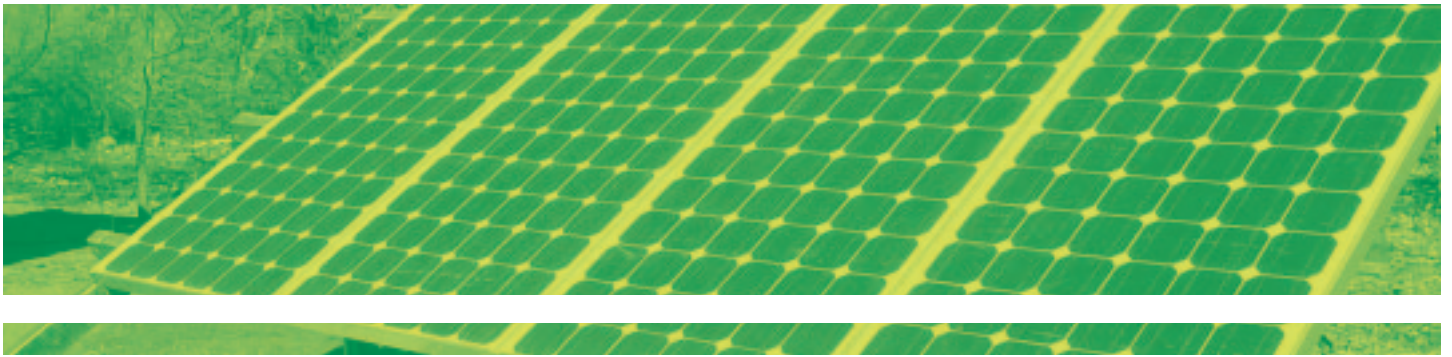
FUTURE MARKET (JULY 2006 ONWARDS)

The new electricity market has been designed to boost renewable energy generation by removing impediments in the current market structure without distorting the effective and fair operation of the market.

Elements of the new market which will benefit renewable providers include:

- Renewable generators will have an increased range of options for selling electricity, including bilateral contracts, through the Residual Trading Market and through the balancing market.
- The disaggregation of Western Power will provide increased opportunities for private sector renewable generators, as State Retail will be able to source renewable energy requirements freely on a competitive basis. State Generation renewable energy projects will have to stand on their merits alongside private sector projects.
- The balancing market will facilitate the often significant balancing requirements of renewable energy generators by providing balancing services on a competitive market basis and without penalties if there are deviations from schedules. Renewable generators such as wind farms would be able to simply “spill” energy into the balancing market at balancing market prices without the need for contracts or schedules if desired. This will allow uncontrolled generators to always sell available generation, whether contracted or not.





- Small renewable generators will be helped by providing fair access charges and allowing for self-dispatch (increasing or decreasing electricity output independent of system management).
- Retailers serving small customers will be required to maintain the current net billing arrangements for small renewable generators. Net billing allows renewable energy generation to simply offset consumption over a billing period, with any surplus bought by the retailer at the prevailing tariff.
- Renewable energy will be the only type of electricity able to be sold at rates above the uniform tariff cap. This will allow renewable energy to be sold at a price premium to those customers who choose to buy environmentally friendly power.
- System planning requirements will require that distributed generation options, including renewable energy, must be considered when making decisions about network upgrades.
- Opportunities for demand management will be provided within the market. Demand management will be able to compete as an alternative to generation in the Residual Trading Market and the balancing market and will be able to be used by retailers to reduce capacity requirements. Demand management options will also be required to be considered when upgrading networks.

WHAT IT MEANS FOR CONSUMERS

In a competitive retail market, customers are given the choice of a wide range of new products and services including as:

- Green energy products such as accredited Green Power renewable energy
- Energy efficient advice
- Energy efficient appliances and equipment.

Retailers would be able to offer and charge for electricity produced from renewable sources at prices above the uniform tariff. However, this exemption from the uniform tariff would only apply where there are other supply sources available at or below the uniform tariff.

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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