



Electricity Reform Implementation Unit

Project Implementation Plan

Executive Summary

August 2003



Office of Energy
Government of Western Australia

Contents

1. Introduction	1
2. Project Management and Structure	2
3. External Stakeholder Consultation	8
4. Key Milestones	9
5. Implementation Projects	10
Attachment 1	20
Attachment 2	21
Attachment 3	22
Glossary	23

1. Introduction

1.1 Project Background

In October 2002, the Electricity Reform Task Force (the “Task Force”) provided its recommendations on electricity reform to the Minister for Energy. The recommendations, endorsed by Cabinet in November 2002, include:

- the disaggregation of Western Power into four separate Government owned entities by July 2004;
- establishing a wholesale electricity market;
- establishing an Electricity Access Code;
- reducing the access threshold for contestability to 5.7kW average load (50MWh per annum) on 1 January 2005;
- implementing regulatory and consumer protection measures; and
- facilitating the renewable energy sector, distributed generation and demand management.

In January 2003, the Minister for Energy established the Electricity Reform Implementation Steering Committee (the “Steering Committee” or “ERISC”) to oversee the implementation process. The Steering Committee is chaired by Anne Nolan, Acting Coordinator of Energy, and includes:

- John Langoulant – Under Treasurer, Department of Treasury and Finance;
- Stephen van der Mye – Managing Director, Western Power Corporation;
- Cheryl Gwilliam – Director General, Department of Local Government and Regional Development;
- John Kelly – independent member (and past member of the Electricity Reform Task Force);
- Michael Megaw – Chief of Staff, Office of the Minister for Energy;
- Tim Sharp – Deputy Crown Solicitor Commercial, Crown Solicitor’s Office; and
- Steve Edwell – Executive Director, Electricity Reform Implementation Unit.

The Steering Committee is supported by the Electricity Reform Implementation Unit (the “Implementation Unit” or “ERIU”).

1.2 Purpose of this Document

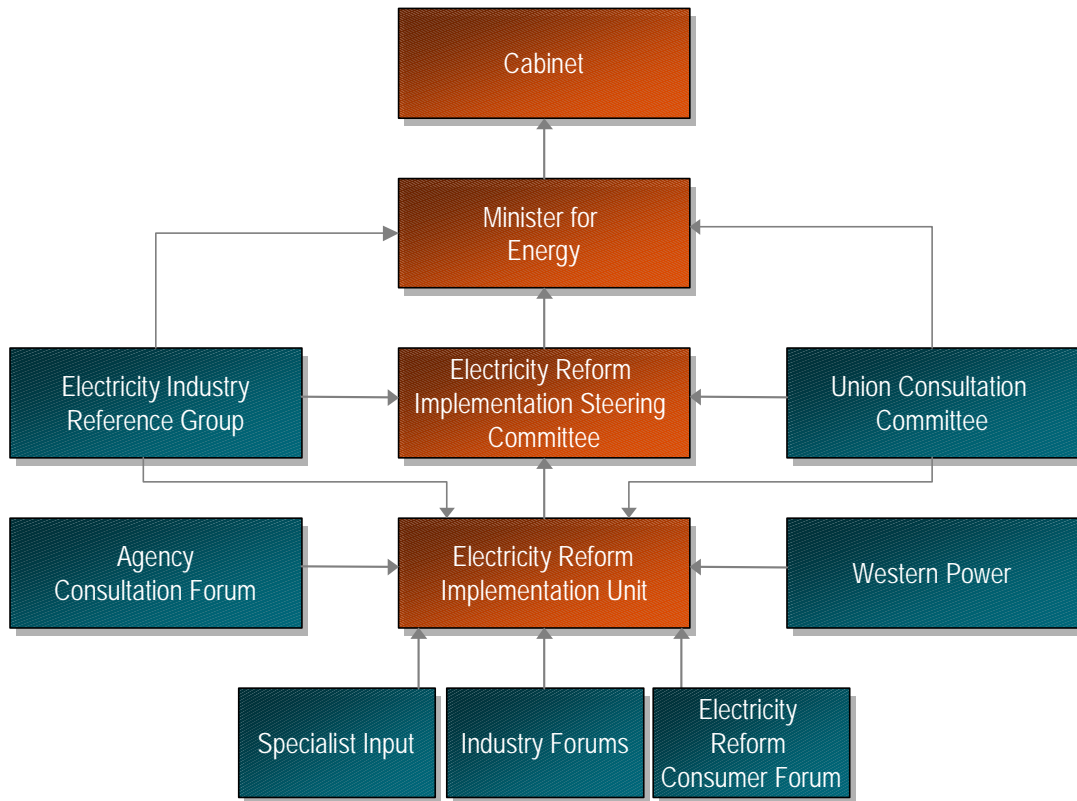
This purpose of this document is to provide a high level summary of the project implementation plan developed by the ERIU as a blueprint to ensure the timely, effective and efficient implementation of the electricity reforms.

2. Project Management and Structure

2.1 High Level Administrative Structure

Implementation of the electricity reforms is a complex process involving a number of participants and stakeholders across government and industry. The diagram below illustrates the high level administrative framework developed for the implementation of the reforms.

Figure 2.1: High level administrative framework



Electricity Reform Implementation Steering Committee

- Reports directly to the Minister for Energy.
- Oversees the implementation of the Task Force's recommendations.
- Provides strategic guidance to the Implementation Unit and signs off on all key policy matters.
- Monitors the reform budget pursuant to the Government determined overall budget.
- Determines timeframes, milestones and work programmes.
- Actively supports the Implementation Unit in its activities including stakeholder engagement and overall project risk management.
- Meets on at least a monthly basis.

Electricity Reform Implementation Unit

- Is responsible for the timely and efficient implementation of the electricity reform agenda under the guidance of the Steering Committee.
- Undertakes stakeholder consultation.
- Manages the reform agenda budget.
- Reports to ERISC on progress and major policy issues.

Electricity Industry Reference Group

- Provides high-level advice and feedback to the Minister for Energy and Steering Committee on electricity reform matters, in particular the wholesale market, access code and legislation.
- Meets on a monthly basis.
- Membership of the Industry Reference Group is detailed in **Attachment 1**.

Union Consultation Committee

- Provides a forum to address the concerns of Western Power employees in relation to job security, career paths, remuneration and other employment issues as a result of the disaggregation process.
- Reports directly to the Minister for Energy on transitional industrial relations and human resource issues during the implementation phase of the reform program and on the determination of benchmarks for training and human resources development within the successor businesses.
- Meets on at least a monthly basis.
- Membership of the Committee is detailed in **Attachment 2**.

Electricity Reform Consumer Forum

- Provides advice and feedback to Government on electricity reform matters affecting consumers, eg. customer service code and ombudsman scheme.
- Enables Government to keep electricity consumer representatives informed of reform implementation issues.
- Includes representatives from the Western Australian Council of Social Service (“WACOSS”), the Department of Consumer and Employment Protection and other consumer representative groups.
- Meets on at least a six weekly basis.

Agency Consultation Forum

- Consists of selected senior officials within key government agencies.
- Provides support for, and input into, key reform elements such as Cabinet submissions, legislation and certain major policy issues.
- Meet on an ad hoc basis.

2.2 Implementation Unit Project Management Structure

2.2.1 Project Groupings

Implementation projects have been categorised into six major project streams:

- Disaggregation;
- Wholesale Market;
- Legislation;
- Regulation;
- Financial Projects; and
- Sustainable Energy.

Detailed information on the project streams is included in section 5.

Across the project streams, approximately 200 individual and inter-related project briefs have been developed. The project briefs detail project outputs, deliverables, tasks, budget and resources. The project briefs also identify linkages and dependencies between individual projects within and across the various project streams.

2.2.2 Implementation Unit Organisation Structure

The organisation structure of the Implementation Unit reflects the major project streams. Figure 2.2 illustrates the overall generic project management structure of the Implementation Unit.

Additional arrangements apply within some of the project streams, primarily to elicit industry involvement in key aspects of the implementation process.

Responsibilities of the respective roles are detailed in Table 2.1.

Figure 2.2: Implementation Unit Organisation Structure

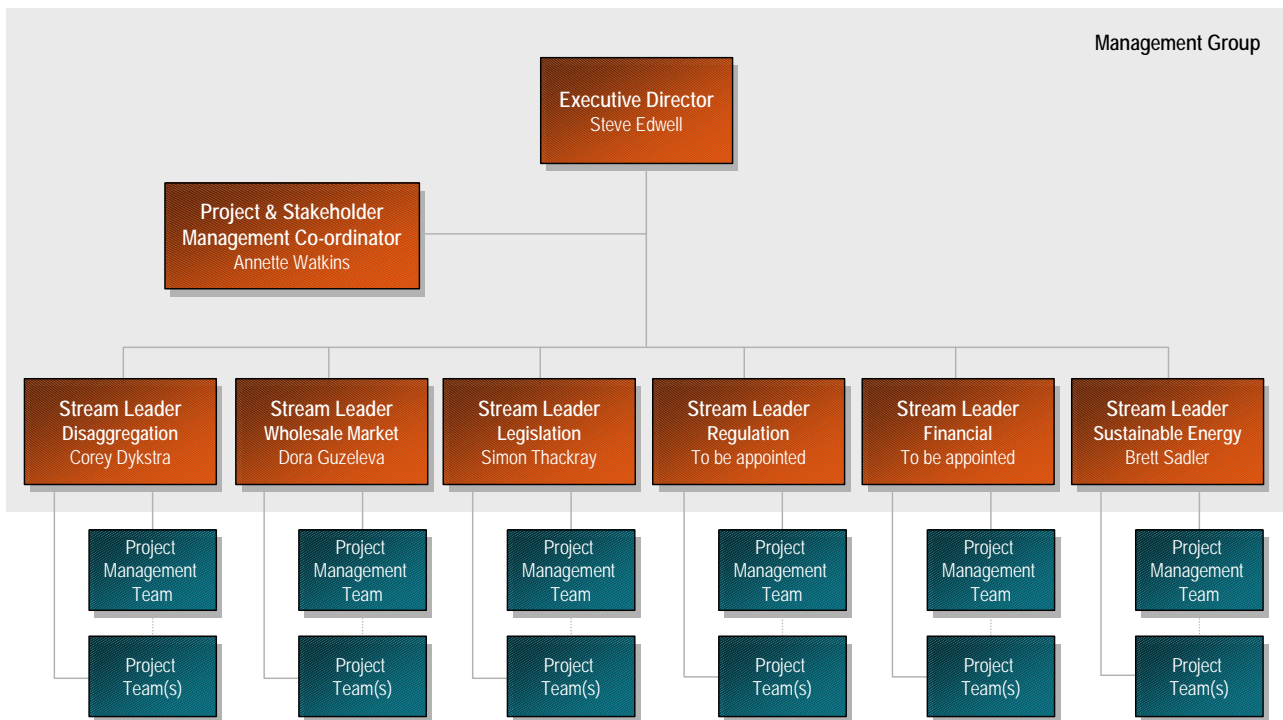


Table 2.1: Implementation Unit Roles and Responsibilities

Role	Responsibilities
Executive Director	<ul style="list-style-type: none"> • Timely and quality delivery of overall project implementation • Overseeing the implementation process • Managing stakeholders • Managing the process within Government
Project & Stakeholder Management Coordinator	<ul style="list-style-type: none"> • Managing the Project Office • Assisting the Executive Director in the coordination of the overall implementation process • Monitoring progress on key delivery timelines • Monitoring project linkages and dependencies to ensure avoidable slippage does not occur • Coordinating reports from Stream Leaders on progress • Providing secretariat function to stakeholder groups • Administering the new issues register and project risk register • Managing the ERIU budget • Managing the ERIU's website, stakeholder register and newsletter • Procuring resources
Stream Leaders	<ul style="list-style-type: none"> • Overseeing the timely and quality implementation of all projects within project area • Chairing Project Management Teams • Liaising with key stakeholders • Coordinating resources for project delivery, together with the Executive Director • Managing external consultants/contractors
Project Management Teams	<ul style="list-style-type: none"> • Providing specialist technical and/or policy guidance to Stream Leaders • Ensuring input is sought from key stakeholders at individual project level • Reviewing reports and other forms of output to ERIU Management Group
Project Teams	<ul style="list-style-type: none"> • Actioning specific projects within respective project stream

Role	Responsibilities
Management Group	<ul style="list-style-type: none"> • Considering policy matters and overall coordination of the implementation process • Reviewing progress towards the achievement of the project plan • Ensuring linkages and dependencies between projects are being effectively addressed • Agreeing on papers to be presented to ERISC • Resolving issues that arise during the implementation process • Monitoring expenditure to budget

Project Management Teams will generally comprise staff from the ERIU and independent consultants. Western Power will be represented on Project Management Teams in respect of the disaggregation process.

Industry representatives, including Western Power, will have an opportunity to participate on Project Teams, specifically in relation to the development of Market Rules and the Access Code. Western Power will participate on Project Teams in relation to disaggregation.

The number of Project Teams will vary depending on the nature of the specific tasks within each project stream.

2.3 Project Office

Implementation of the electricity reforms involves a number of competing timelines and interdependencies. To ensure all stages of the process are appropriately managed, the Implementation Unit has established a Project Office, managed by the Project & Stakeholder Management Coordinator. The Project Office has developed processes to:

- monitor and report on project progress, highlighting issues that may impact on delivery of project outcomes;
- ensure the quality of deliverables produced by Project Teams;
- identify and resolve new issues arising throughout the implementation process;
- identify and manage risks associated with implementation;
- manage changes to project scope including deliverables, delivery dates, project linkages and dependencies;
- control and manage the implementation budget and expenditure; and
- ensure stakeholders are informed and have an opportunity to input into the reform process.

The Project Office has developed a Project Manual and a suite of templates to ensure consistency of documentation produced by the ERIU and to assist in project monitoring and reporting.

3. External Stakeholder Consultation

Effective communication and consultation with stakeholders is essential to ensure the successful implementation of the electricity reforms.

The Implementation Unit will undertake a structured and targeted approach to stakeholder consultation. This approach is intended to provide opportunities for maximum input from relevant external stakeholders, whilst recognising the tight timeframes associated with the implementation of the reforms.

The Executive Director of the ERIU will be responsible for stakeholder management, supported by the Project and Stakeholder Management Coordinator. Table 3.1 below summarises the main forms of communication and consultation with stakeholders.

Table 3.1: Stakeholder Communication and Consultation

Form of communication	Audience/Participant	Frequency
Formal high level consultation groups	Industry, union and consumer representatives	Monthly
Membership on formal Project Teams	Industry and consumer representatives with appropriate technical skills	For the life of the respective project brief
Workshops and industry forums	Selected industry, consumer and government stakeholders	As required
Exposure Drafts/Position Papers	Industry, consumer and government stakeholders	As required
Website	All interested stakeholders	Ongoing
Implementation Unit Newsletter	Registered stakeholders by email, all interested stakeholders through website	Monthly
Presentations and briefings	Electricity Industry Reference Group, Union Consultation Committee, Electricity Reform Consumer Forum, Agency Consultation Forum, selected stakeholders	As required

The implementation plan will be accompanied by a comprehensive communications plan to engage all stakeholders more broadly, including on the benefits and purpose of the reforms.

4. Key Milestones

Figure 4.1 below illustrates the key high-level milestones associated with the implementation of the electricity reforms across the various project streams.

Figure 4.1: Key Milestones

Key Milestone	2003	2004	2005	2006
Establishment of the Market Rules Development Group	Aug			
Commencement of consultation on legislation	Aug			
Electricity Corporation(s) Bill introduced into Parliament	Nov			
Electricity Industry Bill introduced into Parliament	Nov			
Exposure draft of Electricity Access Code released for public consultation	Dec			
Completion of detailed wholesale market design		Jan		
Exposure draft of Customer Service Code released for public consultation		Apr		
Access Code takes effect (dependent on passage of Electricity Industry Bill)		Jul		
Successor entities of Western Power to commence formal operation (dependent on passage of Electricity Corporations Bill)		Jul		
Customer Service Code takes effect		Jul		
Publication of Final Market Rules		Aug		
Exposure draft of Ombudsman Scheme released for public consultation		Aug		
Energy Ombudsman scheme takes effect		Dec		
Access threshold reduced to 5.7 kW (50 MWh per annum)			Jan	
Completion of Market Systems Design			Feb	
Completion of Market Systems Construction			Aug	
Completion of Market Systems and Integration Testing			Dec	
Completion of Market Trials				May
Market Start				Jun

5. Implementation Projects

5.1 Disaggregation

The Task Force recommended that Western Power should be vertically disaggregated into four separate Government owned entities of State Generation, State Retail, State Networks (comprising System Management and Network Management) and Regional Power Corporation.

State Generation, State Networks and State Retail will underake Western Power's existing functions in the South West Interconnected System ("SWIS"), whilst the Regional Power Corporation will assume Western Power's activities in the North West Interconnected System ("NWIS") and non-interconnected regional systems.

At the highest level, the disaggregation of Western Power involves three broad groups of tasks:

- establishing the four successor entities;
- defining contractual relationships between the entities and with external parties; and
- establishing the financial positions of the successor entities.

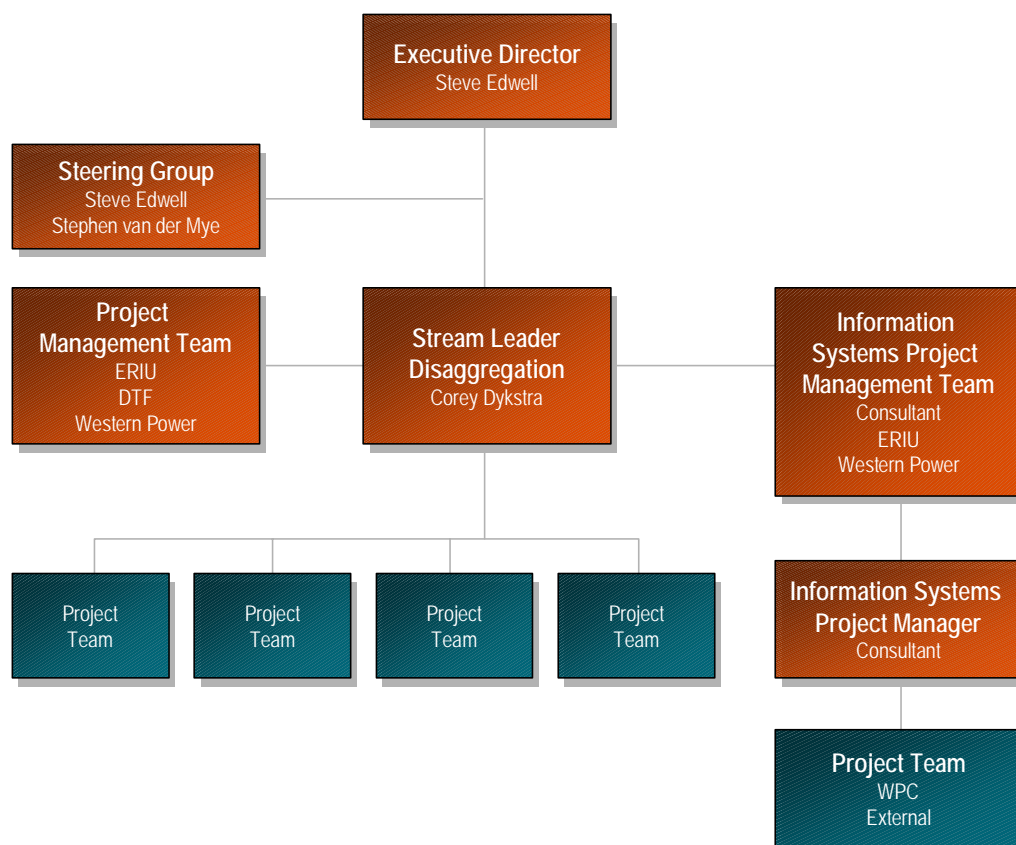
5.1.1 Project Management

Figure 5.1 overleaf illustrates the project management structure for the disaggregation project stream. Given its broad scope, the structure also includes a Steering Group, comprising the Executive Director of the Implementation Unit and the Managing Director of Western Power.

The Steering Group meets on a weekly basis to review progress and provide guidance on strategic issues that may be identified by the Stream Leader or the Project Management Team.

The disaggregation project management structure also includes an Information Systems Project Management Committee ("ISPMC"). The ISPMC will include representatives from the ERIU, Western Power and an independent Information Systems Project Manager. The ISPMC will have responsibility for overseeing the augmentation of Western Power's existing systems and the development of the new information systems necessary to support disaggregation and a further reduction in contestability.

Figure 5.1: Disaggregation Project Management Structure



5.1.2 Communication

The process of disaggregation of Western Power is essentially a matter for consideration by the Implementation Unit, ERISC and Western Power. As such, there are no formal external communication processes unique to the disaggregation component of the reforms. Consultation with affected stakeholders will occur through established channels, including the Electricity Industry Reference Group and Union Consultation Committee.

5.2 Wholesale Market

New wholesale trading arrangements are necessary to enable the full benefits of the reforms to be realised. The Task Force recommended the creation of a wholesale electricity market in the SWIS, which involves a bilateral contract market, together with a binding day ahead residual trading market (“RTM”), a balancing mechanism and an available capacity arrangement.

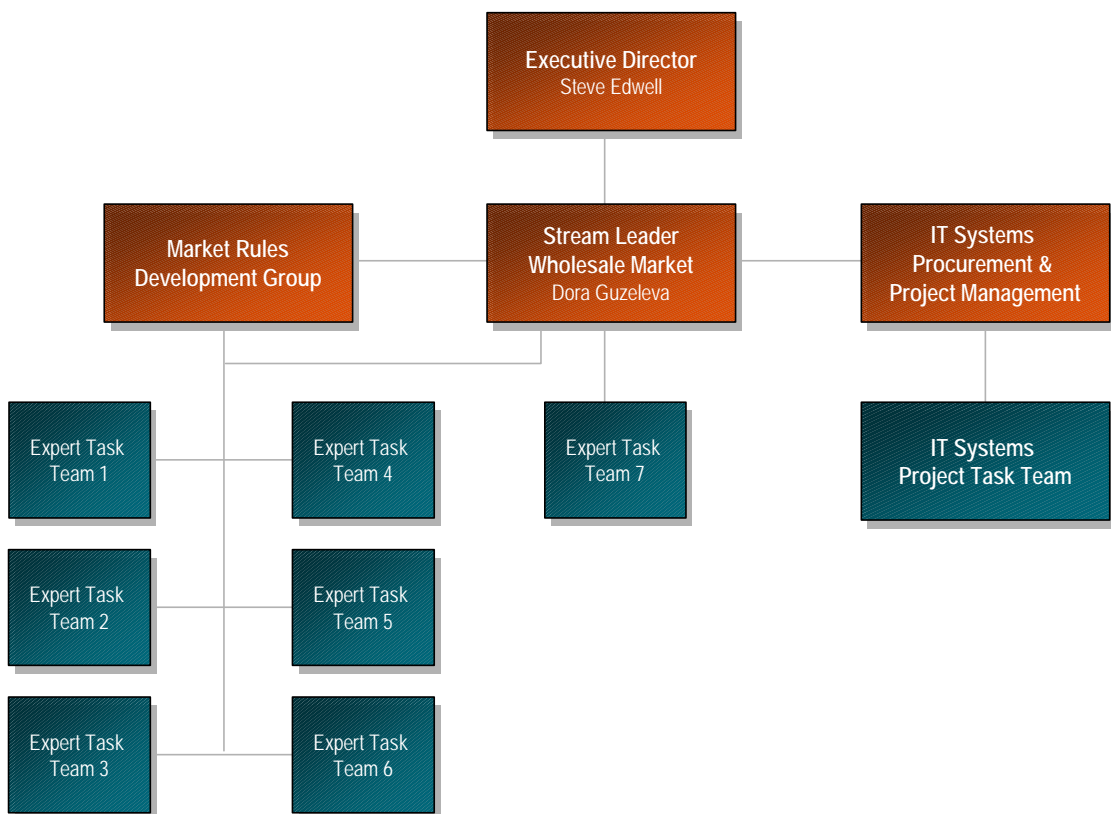
The wholesale market project stream is responsible for development of the detailed market design and drafting the Market Rules to facilitate operation of the wholesale market.

5.2.1 Project Management

Figure 5.2A below illustrates the project management structure in respect of the wholesale market project stream. A Market Rules Development Group (“MRDG”) has been established in place of a Project Management Team and Project Teams are called Expert Teams.

The project management structure also includes an IT Systems Procurement and Project Management (“ITSP&PM”) Committee, comprising representatives from the ERIU, Department of Treasury & Finance (“DTF”) and Western Power. The Committee will be responsible for overseeing the implementation of the information technology systems for the wholesale market.

Figure 5.2A: Wholesale Market Project Management Structure



The MRDG provides input into the development of the detailed market design and the drafting of the Market Rules. The MRDG is chaired by the Executive Director of the ERIU and comprises members of the ERIU, Western Power, Government agencies, industry representatives and representatives of expert consultants.

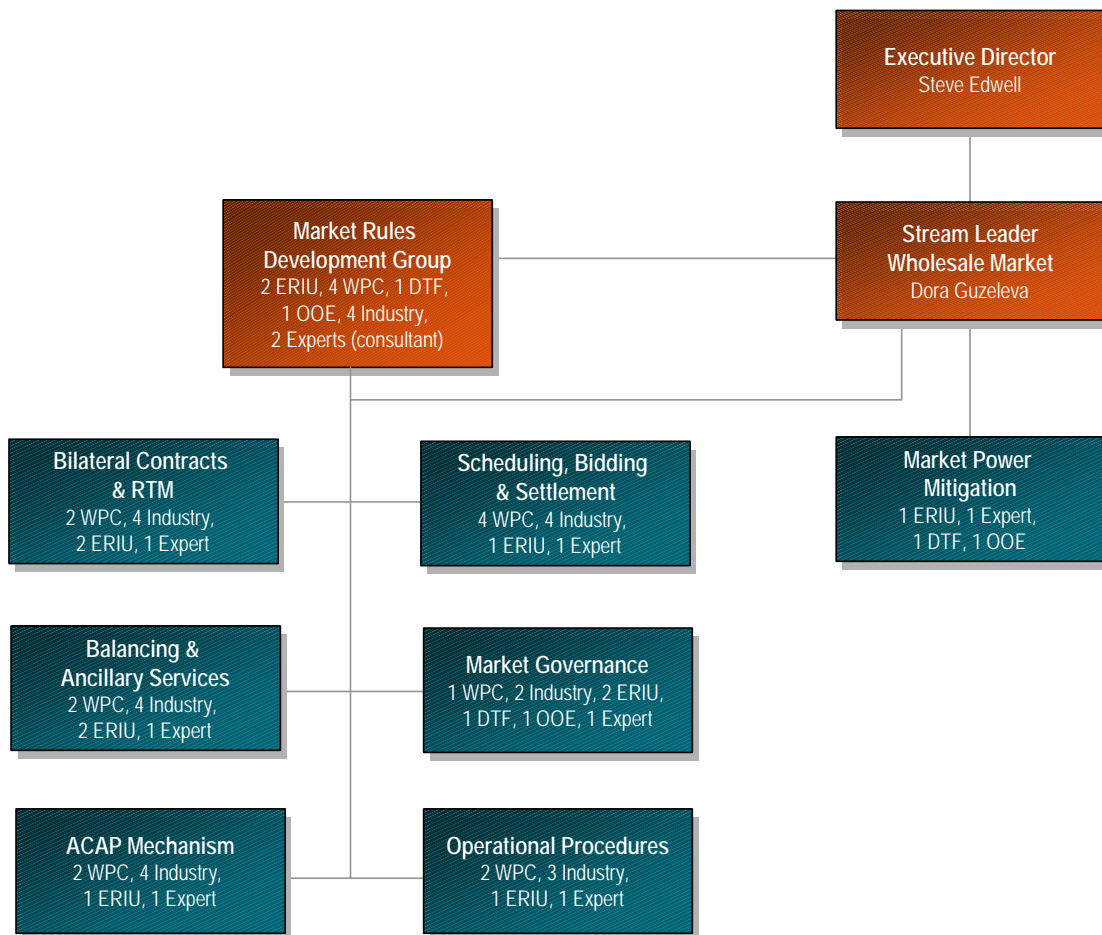
Membership of the MRDG is detailed at **Attachment 3**.

The MRDG is supported by Expert Teams comprising members of the Implementation Unit, Western Power, Government agencies, industry representatives and representatives of the consultants.

The Expert Teams will develop parts of the detailed market design and draft the Market Rules and be supported by representatives of the consultant who will advise on the detailed market design and Market Rules development issues.

Figure 5.2B illustrates the structure of the Market Rules Development Group and Expert Teams.

Figure 5.2B: Market Rules Development Group structure



5.2.2 Communication

The key communication strategy with respect to the wholesale market project stream centres on the establishment of the Market Rules Development Group and Expert Teams.

5.3 Legislation

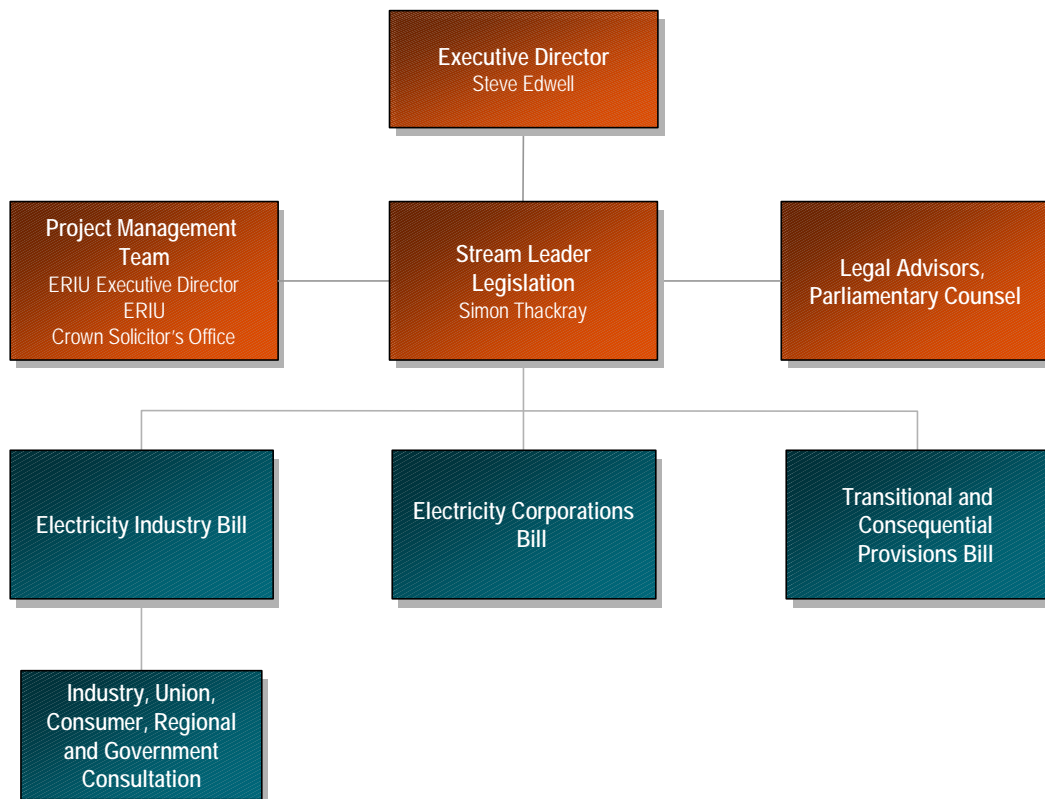
The legislation project stream is responsible for developing and implementing the necessary legislation to give effect to the Task Force's recommendations. The legislative framework includes:

- an Electricity Corporations Bill to give effect to the disaggregation of Western Power and establish its successor entities by 1 July 2004;
- an Electricity Industry Bill to establish the electricity licensing regime, provide the heads of power to establish the Electricity Access Code, wholesale market and customer protections (including Customer Service Code and Ombudsman scheme), and confer electricity functions on the Economic Regulation Authority; and
- a Transitional and Consequential Provisions Bill to establish the Transfer Order mechanism to assign all assets, rights and liabilities to successor entities and make consequential amendments.

5.3.1 Project Management

The project management structure for the legislation component of the implementation process is illustrated in Figure 5.3 below.

Figure 5.3: Legislation Project Management Structure



5.3.2 Communication

Disaggregation

Communication in respect of the disaggregation legislation will involve ERIU briefings of formal consultation groups and other specific stakeholder groups, such as the Chamber of Commerce and Industry, Chamber of Minerals and Energy, Independent Power Advisory Group, renewable stakeholders, WACOSS and unions.

Electricity Industry Bill

Similar to the disaggregation legislation, consultation on the Electricity Industry Bill will be achieved through formal consultation groups and specific industry and government agency briefings.

5.4 Regulation

The Regulation project stream has been sub-categorised into three areas: access, licensing and customer protection, and financial regulation. Specifically, this project stream will be involved in the development of:

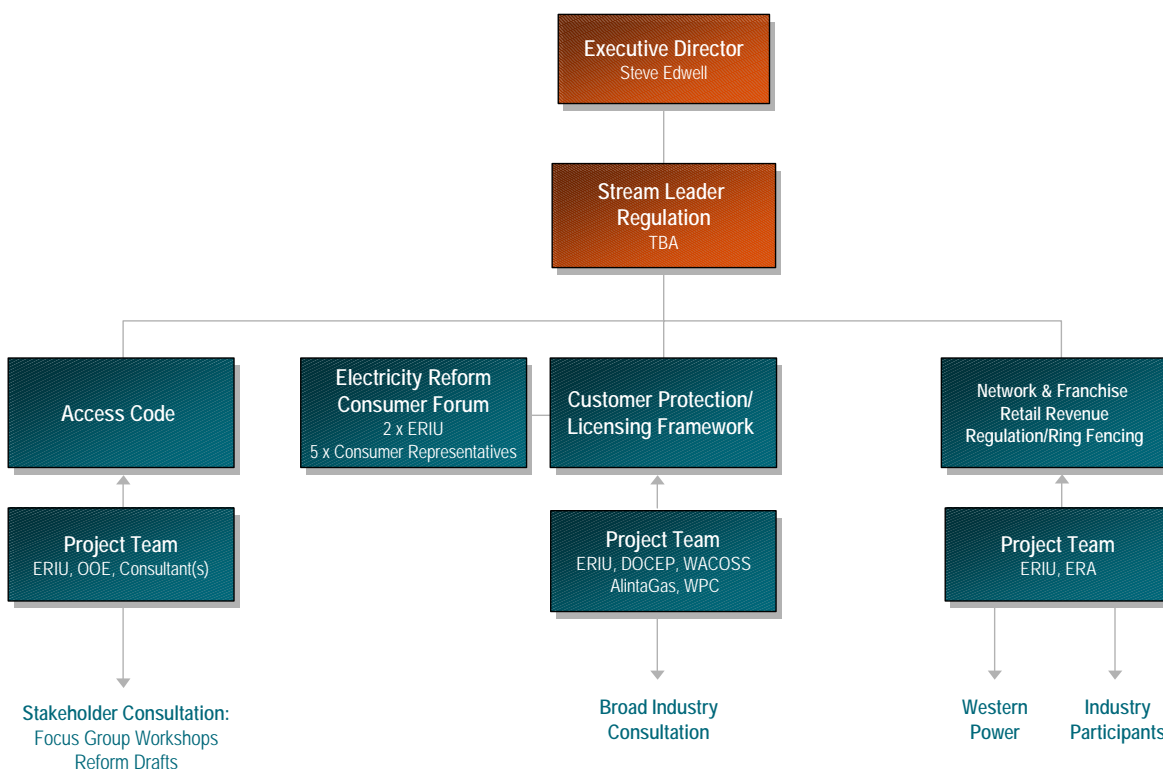
- an Electricity Access Code to provide for third party access to public and private electricity networks in Western Australia;
- an electricity licensing framework for market participants involved in electricity generation, transmission, distribution and retail;
- customer protections including standard customer contracts, a Customer Service Code, retailer of last resort scheme and an Energy Ombudsman; and
- a suite of measures relating to the regulation of the State Networks business and other economic regulation that will essentially be undertaken by the Economic Regulation Authority.

Establishment of legislation to provide the heads of power for the Electricity Access Code and customer protection mechanisms is outlined in section 5.3.

5.4.1 Project Management

The project management structure for the Regulation stream is illustrated in Figure 5.4.

Figure 5.4: Regulation Project Management Structure



5.4.2 Consultation

Consultation in respect of the Regulation project stream primarily relates to the Electricity Access Code and customer protections.

Given the extensive consultation that took place during the Task Force’s considerations of electricity access provisions, the development of the Access Code assumes only a single public consultation phase. However, industry representatives will be involved in the development of the Code through focused workshops on specific elements.

There will also be extensive stakeholder involvement in the development of customer protection mechanisms, including the Customer Service Code and Energy Ombudsman Scheme. Exposure Drafts in relation to these two initiatives will be released for public comment in 2004.

5.5 Financial Projects

The Financial Projects stream will be involved in resolving a number of financial issues relating to the implementation of the reforms. Much of the work undertaken by the financial stream will support projects or policy analysis in other areas of the implementation process.

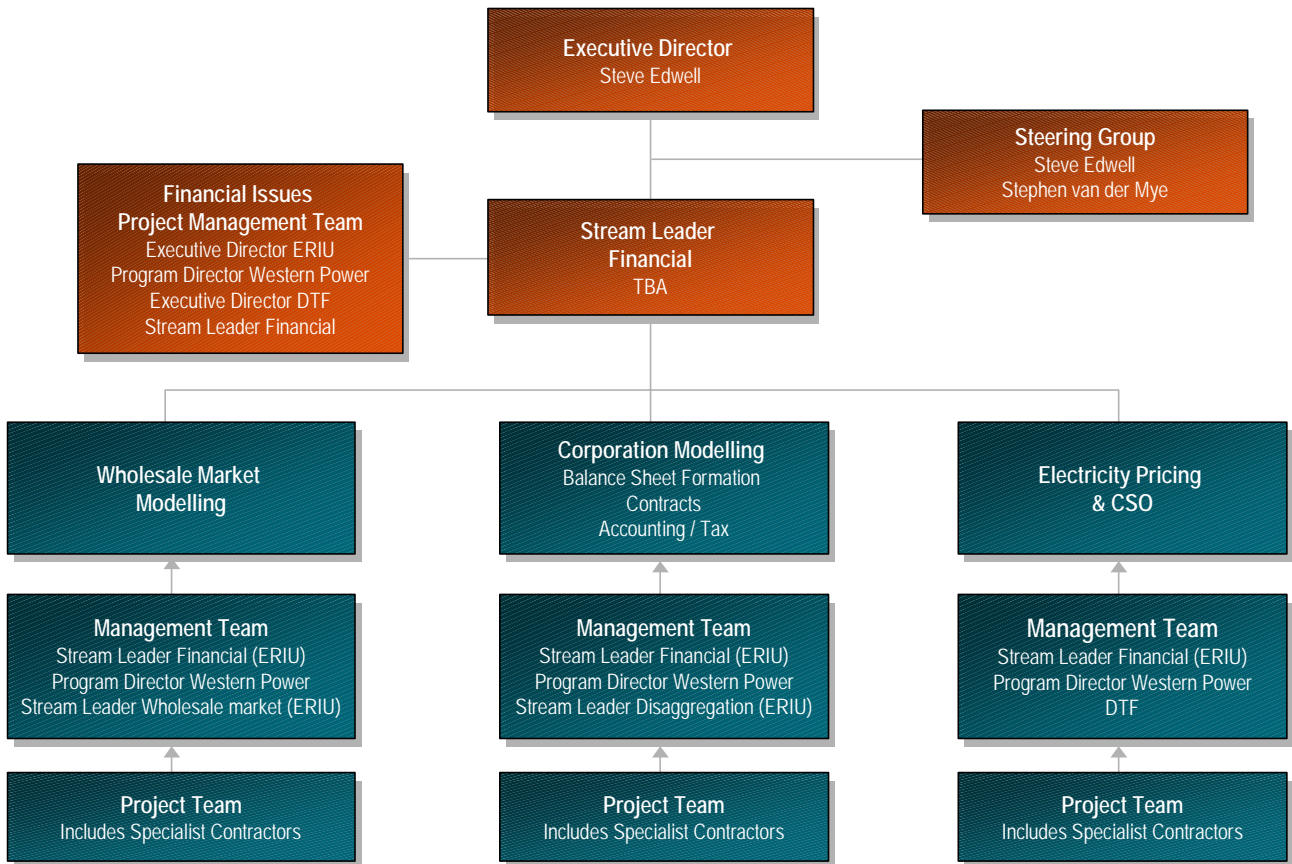
The financial stream of projects has been divided into four sub groupings: corporate finance and modelling, wholesale market modelling, pricing analysis and economic regulation.

The corporate finance and modelling component will be an input to the disaggregation process, culminating in balance sheets for the new corporations and providing input into policy issues about their strategic direction. The wholesale market modelling will support both the disaggregation and wholesale market streams and the pricing analysis will support regulatory issues regarding the uniform tariff and community service obligations. The project briefs under economic regulation address various issues that traverse the other three sub groupings.

5.5.1 Project Management

The project management structure for the Financial Projects stream is outlined in Figure 5.5. Similar to the disaggregation project stream, the structure for financial projects includes a Steering Group comprising the Executive Director of the ERIU and the Managing Director of Western Power.

Figure 5.5: Financial Projects Management Structure



5.5.2 Communication

Most of the work within the Finance stream is particular to Government and Western Power and, therefore, will not be subject to external consultation. Rather, the structure for managing this part of the project provides for direct involvement by Western Power at all levels of the process.

5.6 Sustainable Energy

The primary focus of work in the sustainable energy project stream involves policy development. The policy frameworks developed will feed into other project streams for implementation.

Recommendations made by the Task Force in relation to increasing the use of sustainable energy include:

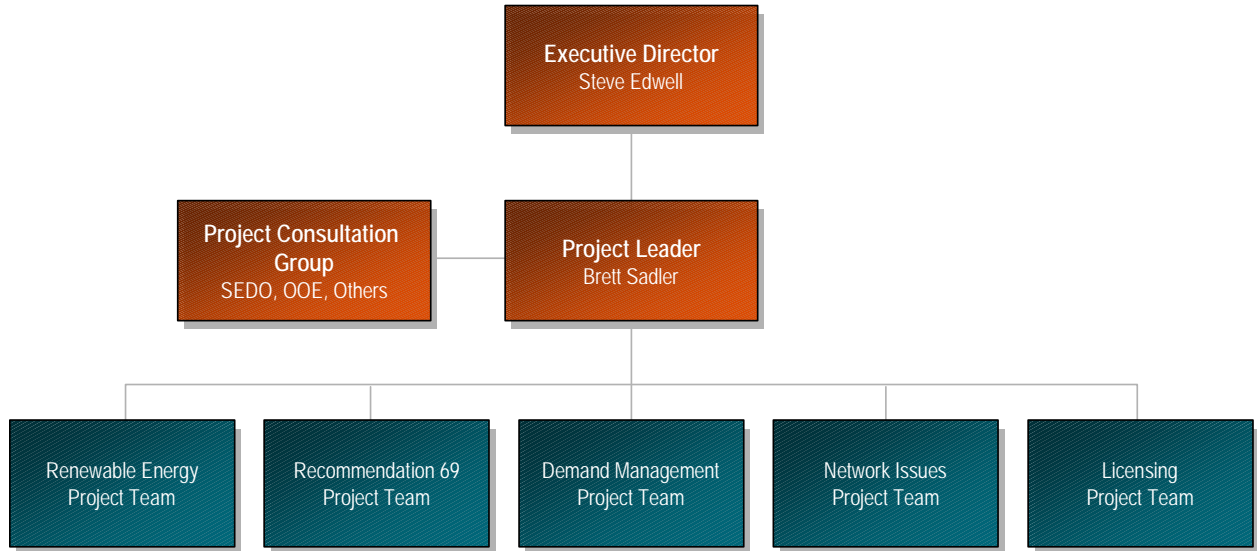
- structural reform of Western Power, specifically the ability for State Retail to purchase electricity from sources other than Western Power;
- a prohibition upon State Generation investing in new fossil fuel capacity (but not renewables) unless agreed by Government;
- dedicated renewable energy access provisions; and
- consideration of a requirement that retailers source a certain portion of their electricity requirements from Western Australian based renewable energy sources, or adhere to a greenhouse gas reduction requirement.

5.6.1 Project Management

The project management structure for sustainable energy is largely consistent with the generic structure. However, the functions of the Project Management Team will be incorporated into the role of the Stream Leader. A more informal Project Consultation Group will be established to provide high-level input to the overall project, mainly in regard to policy matters.

Figure 5.6 illustrates the project management structure for the sustainable energy project stream.

Figure 5.6: Sustainable Energy Project Management Structure



5.6.2 Communication

Consultation in relation to the sustainable energy project stream will be undertaken on a case-by-case basis. Stakeholders include those with a direct interest in the outcomes (such as renewable generators, customers wishing to purchase renewable energy, sustainable energy industry groups) and those with a broader interest in seeing sustainable energy outcomes such as greenhouse gas reductions (eg. conservation groups).

Attachment 1

Electricity Industry Reference Group

The membership of the Electricity Industry Reference Group is as follows:

- David Agostini (Chair)
- Wayne Osborne – Managing Director, Alcoa World Alumina Australia
- Bob Browning – Chief Executive Officer, AlintaGas Limited
- Matthew Rosser – Managing Director, Blair Fox Generation
- Lyndon Rowe – Chief Executive Officer, Chamber of Commerce & Industry
- Tim Shanahan – Chief Executive Officer, Chamber of Minerals & Energy
- Gary Jeffery – General Manager Business Development, Griffin Energy
- David Smith – Managing Director, Rio Tinto
- Ky Cao – Managing Director, Perth Energy
- Mark Manderson – General Manager, TransAlta Energy Financial Services Ltd
- Stewart Butel – Managing Director, Wesfarmers Premier Coal
- Timothy Atterton – Chairman, Small Business Development Corporation

Attachment 2

Union Consultation Committee

The membership of the Union Consultation Committee is as follows:

- Mark McGowan MLA (Chair) – Parliamentary Secretary to the Premier
- Richard Harris (alternate Chair) – Office of Energy
- Gary Wood – Construction, Forestry, Mining and Energy Union (Coal Mining Division)
- Mr Shane O’Byrne – Communications, Electrical and Plumbing Union (Electrical Division)
- John Mossenton – Australian Metal Workers Union
- Paul Burlinson – Australian Services Union
- Bill Johnston – State Secretary Australian Labor Party (WA Branch)
- Shona Zulsdorf – Policy Officer, Office of the Minister for Energy

Attachment 3

Market Rules Development Group

The membership of the Market Rules Development Group is as follows:

- Mr Steve Edwell (Chair) – Executive Director, Electricity Reform Implementation Unit
- Mr Andrew George – Independent Power Producer, Alinta Limited
- Mr Ky Cao – Independent Retailer, Perth Energy
- Mr David Lyne – Major User, Newmont Power
- Richard Beresford – representative from the independent sustainable energy sector, Clear Sky
- Keith Kirby – Western Power Generation
- Tony Perrin – Western Power Retail
- Ken Brown – Western Power Networks (System Management)
- Phil Southwell – Western Power Networks (Network Management)
- Dora Guzeleva – Electricity Reform Implementation Unit
- Kristy Eastough – Department of Treasury and Finance
- Jason Banks – Office of Energy
- John Kelly – independent member (and member of ERISC)
- KEMA Consulting – Expert Advisor
- Frontier Economics – Expert Advisor

Glossary

Ancillary services	Generation and transmission related services used to maintain a stable and reliable transmission system. These include various categories of short-term reserves for frequency control, reactive services for voltage control and black start services.
Available Capacity (ACAP)	An obligation that requires participants to reserve available capacity in advance to meet reliability requirements on the system. Load serving entities are required to have or contract with generators for a prescribed level of available capacity above their peak load within a certain time frame.
Balancing Service	An energy service administered by System Management by obtaining offers of incremental and decremental adjustments to supply or demand schedules to ensure that energy inputs and takeouts are balanced in real time.
Bilateral Contract	A direct contract between a buyer and a seller to obtain generation and/or ancillary services of a given type, duration, timing and reliability over a contractual term. Bilateral contracts are an alternative to using a centralised power pool or organised exchange auction to make purchases or sales of power or ancillary services.
Binding day-ahead market	A market that operates a day ahead, in which both generators and loads are committed in both price and quantity during the day before real time.
Black start	The ability of a generating unit to go from shutdown condition to an operation condition and start delivering power without assistance from the electricity system.
Congestion Management	Incremental and decremental adjustment of generation or loads in various locations or zones to ensure that transmission capacity constraints are not exceeded.
Distributed Generation	Generation connected within a distribution network but without direct access to the transmission network.
Economic Regulation Authority (ERA)	The Economic Regulation Authority as proposed by the State Government to oversee regulation of the electricity, gas, water and rail services in Western Australia.
Electricity Access Code	Code setting out the principles that guide access to network facilities, and the roles and obligations of participants in the open access regime such as the relevant regulatory bodies, the network service providers and user (including retailers and generators).

Embedded Generation	See Distributed Generation.
Load Serving Entity	Any one of a number of entities that purchase wholesale electricity for resale to individual, or groups of, end-use consumers.
Network Service Provider	Entity operating network infrastructure and providing access to it.
North West Interconnected System (NWIS)	Interconnected electricity system in the north west of Western Australia.
Peak load	Maximum load.
Residual Trading Market (RTM)	Market where generators can sell uncontracted energy and buyers can purchase energy without a bilateral contract.
Retailer of Last Resort (ROLR)	In a contestable electricity market, it is possible that a retailer might make an unplanned exit from the market, leaving its customers without a retailer. A ROLR is a retailer to which these customers can be transferred in such circumstances.
System Management	The entity undertaking the functions of system operation, market operation and system planning following the disaggregation of Western Power.
Wholesale Market	All aspects of the electricity market in the SWIS, excluding arrangements for access to the transmission and distribution systems and the retail market for electricity. The wholesale market includes the bilateral contract market, the Residual Trading Market, the balancing mechanism, the congestion management mechanism and the available capacity arrangements.