



Electricity Reform News

IN THIS ISSUE ○ Ministerial Foreword ○ Introduction from Steering Committee Chair
○ Electricity Reform Implementation Unit ○ Expert Consultants Appointed
○ Industry Consultation ○ Union Consultation Committee ○ Stakeholder Register

Ministerial Foreword

For a resource based economy like Western Australia's, lower electricity prices are essential to improve our competitiveness and encourage economic growth. Western Australia has among the highest electricity prices in Australia and is lagging behind other States and other comparable economies in its electricity reforms.

In August 2001, I established the Electricity Reform Task Force to develop a framework for the reform of the State's electricity supply industry.

The Task Force's final report, submitted in October 2002, recommended the creation of a new electricity market that balances the need for greater competition, lower prices and consumer protection. Specifically, the report recommended the disaggregation of Western Power into four new entities, the creation of a wholesale market, a strong and independent regulatory system and the retention of the uniform tariff and existing rebates.

Whilst the disaggregation of Western Power is a key component of the Government's reform agenda and is intended to encourage competition in the electricity market, it is not a precursor to privatisation. This Government is strongly opposed to the privatisation of Western Power and its successor entities.

A cost benefit study by an independent expert indicated that the reforms would result in an average 8.5 per cent reduction in electricity prices, an increase in Gross State Product of up to \$300 million per year by 2010 and the creation of 2,900 jobs.

To implement the recommendations of the Task Force, I have established the Electricity Reform Implementation Steering Committee. The Steering Committee is chaired by Anne Nolan, the Acting Coordinator of Energy, and includes representation from relevant Government agencies and an independent member.

The Steering Committee will be supported in its work by the Electricity Reform Implementation Unit. Senior members from the Office of Energy, Sustainable Energy Development Office, Department of Treasury and Finance and Western Power Corporation have been seconded to the Implementation Unit.

Stakeholders will have an important role to play through consultation and participation in the electricity reform process. This input will be essential to ensure that the views of unions, industry and consumers are taken into consideration by Government. A Union Consultation Committee has already commenced operation and the Steering Committee is in the process of establishing an Electricity Industry Reference Group.

I invite all stakeholders to support and assist the Steering Committee and Implementation Unit in this important project.



Eric Ripper MLA
Minister for Energy

Introduction from the Chair



I am pleased to introduce the first issue of *Electricity Reform News*. The newsletter will be published on a regular basis to inform interested parties of key developments and milestones in the electricity reform process.

Established in January 2003, the Electricity Reform Implementation Steering Committee has responsibility for achieving the following objectives:

- disaggregation of Western Power into four separate entities by June 2004;
- implementation of a new wholesale electricity market by July 2005;
- establishing a regulatory framework, including a licensing regime and consumer protection mechanisms;
- development of a Western Australian Electricity Access Code by January 2004;
- measures to facilitate renewable energy, distributed generation and demand management;
- reduction in contestability threshold to 5.7 kW on 1 January 2005; and
- a number of transitional arrangements.

Two of the Steering Committee's priority tasks in the immediate future include overseeing consultancies to review the market model proposed by the Electricity Reform Task Force and to develop a detailed budget of the cost to Government of the reforms.

Stakeholder consultation throughout the implementation phase will be an important component of the process. The Steering Committee will ensure clear and open communication with all relevant stakeholders and will provide regular updates and opportunity for input and participation where appropriate.

I look forward to the challenging task ahead to implement the Government's electricity reform agenda in a timely, effective and efficient manner.

Anne Nolan
Chair
Electricity Reform Implementation Steering Committee

Electricity Reform Implementation Steering Committee Membership

- Anne Nolan – Acting Coordinator of Energy, Office of Energy;
- John Langoulant – Under Treasurer, Department of Treasury and Finance;
- Nenad Ninkov – A/Chief Executive Officer, 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
- Executive Director – Electricity Reform Implementation Unit.

Electricity Reform Implementation Unit Website

For further information on the electricity reform process, visit the recently launched website of the Implementation Unit.

The website provides information on the Steering Committee and the Implementation Unit as well as publications, such as media releases, progress reports and exposure drafts.

The website address is:
www.eri.energy.wa.gov.au

Electricity Reform Implementation Unit

The Electricity Reform Implementation Unit comprises senior personnel from the Office of Energy, Sustainable Energy Development Office, Department of Treasury and Finance and Western Power Corporation. An appointment to the position of Executive Director of the Implementation Unit is expected shortly.

A significant work program is in front of the Implementation Unit to deliver the Government's reform agenda on time and budget. To ensure all aspects of the Government's reform program are addressed, the Implementation Unit is developing a detailed project plan with clearly defined timetable milestones for each set of core reforms. The project plan will identify all of the reform issues and tasks and associated interrelationships.

The Implementation Unit's staff and their respective areas of responsibility are:

- Corey Dykstra, Senior Manager – disaggregation and access;
- Dora Guzeleva, Senior Manager – wholesale market design and implementation, access and transitional issues;
- Patrick Peake, Senior Manager – disaggregation, wholesale market design and implementation and transitional issues;
- Simon Thackray, Senior Manager – legislation, licensing and customer protection;
- Brett Sadler, Principal Project Officer – sustainable energy;
- Kathryn Barrie, Project Officer – access.



Expert Consultants Appointed

In endorsing the recommendations of the Electricity Reform Task Force, the Government required the Steering Committee to undertake two priority tasks. To assist in these tasks, the Steering Committee has appointed two independent consultants.

Charles River Associates ("CRA") has been engaged to undertake a review of the effectiveness and efficiency of the market model proposed by the Task Force and to recommend any refinements. CRA will also develop a detailed estimate of the cost and time required to implement the market.

Frontier Economics has been appointed to determine the cost to Government of implementing the electricity reforms and to propose ways in which those costs may be reduced or optimised.

These consultancies build on the work previously undertaken by the Task Force and will ensure that implementation of the Government's reform program commences from a solid base. Results of these consultancies will be presented to Cabinet in April 2003.

Industry Consultation

Industry input to the reform process is essential to ensure the successful implementation of the Government's reform agenda.

It is envisaged that an Electricity Industry Reference Group will soon be established to provide a sounding board for electricity reform implementation issues. Opportunities will also be developed for industry participants, including electricity generators, network operators and retailers, to be periodically briefed on the status of electricity reform and to provide input into the reform process.

It is also intended that the Implementation Unit will release exposure drafts and host workshops on specific electricity reform matters such as regional issues, wholesale market implementation, access code, licensing regime, customer protections, transitional arrangements and sustainable energy initiatives.

Union Consultation Committee

Electricity reform represents significant change for Western Power employees. The Government has sought to address the concerns of Western Power employees in relation to job security, career paths, remuneration and employment conditions by establishing a Union Consultation Committee.

The Committee will report directly to the Minister for Energy on transitional industrial relations issues during the implementation phase of the reform program and on the determination of benchmarks for training and human resources development within the proposed disaggregated businesses.

The Committee commenced operation in March 2003 and consists of:

- 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 Burlison – Australian Services Union;
- Bill Johnston – State Secretary ALP (WA Branch); and
- Shona Zulsdorf – Executive Officer, Office of the Minister for Energy.

Stakeholder Register

To ensure clear, open communication with all relevant stakeholders, a stakeholder register has been developed. This register will be used to distribute information to interested parties on a range of topics including:

- wholesale electricity market design;
- electricity access code;
- regulatory framework, including a licensing regime and consumer protection mechanisms;
- disaggregation of Western Power; and
- renewable energy, distributed generation and demand management.

Interested parties are invited to lodge their details (company, contact person, contact details) and advise the topics that are of particular interest to allow the Implementation Unit to target its distribution of information.



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