



Electricity Reform News

IN THIS ISSUE • External Stakeholder Consultation Groups | Legislation | Access Workshop and Order | Stakeholder Register

Industry Reference Group

A senior industry group has been established to provide input to the State Government on its electricity reform implementation program.

The Electricity Industry Reference Group (EIRG) provides high-level advice and feedback on electricity reform matters to government.

“This is an important part of the extensive electricity reform consultation program being undertaken by the State Government,” said Mr Steve Edwell, Electricity Reform Implementation Unit Executive Director.

“For reform to succeed, it is vital that key industry groups are effectively and properly engaged on the issues. The Electricity Industry Reference Group (EIRG) will play a key role in providing advice to government on the direction of reform and on specific industry matters.”

The independent chairman of the EIRG, which held its first meeting on Monday 21 July 2003, is Mr David Agostini.

Mr Agostini comes to the EIRG from a successful career as an engineer and senior executive in the oil industry. He has worked for Woodside, Texaco and Shell and his most recent roles were as the General Manager of Operations and General Manager Commercial Interests at Woodside.

Mr Agostini was also a member of the Council of Australian Governments (COAG) Energy Market Review Panel, and is a senior consultant to the petroleum industry and Adjunct Professor, Oil and Gas Engineering for the University of Western Australia.

Well respected in the industry, the EIRG is fortunate to have the benefit of his experience.

Membership of the EIRG includes:

- Mr Wayne Osborn, Managing Director Alcoa World Alumina Australia;
- Mr Bob Browning, Chief Executive Officer, Alinta Limited;
- Mr Matthew Rosser, Managing Director, Blair Fox Generation;
- Mr Lyndon Rowe, Chief Executive Officer, Chamber of Commerce & Industry;
- Mr Tim Shanahan, Chief Executive Officer, Chamber of Minerals and Energy of WA Inc;
- Mr Gary Jeffery, Executive General Manager Business Development, Griffin Energy Pty. Ltd.;
- Mr David Smith, Managing Director, Hamersley Iron Pty. Ltd.;
- Mr Ky Cao, Managing Director, Perth Energy Pty. Ltd.;
- Mr Mark Manderson, General Manager, TransAlta Energy (Australia) Pty. Ltd.;
- Mr Stewart Butel, Managing Director, Wesfarmers Premier Coal; and
- Mr Timothy Atterton, Chairman, Small Business Development Corporation.



Market Rules Development Group

Late last year the Electricity Reform Task Force recommended the creation of a new wholesale electricity market in the South West Interconnected System. Market rules are required to effect the market.

To assist in the design of the market and the development of the requisite market rules, a Market Rules Development Group (MRDG) has been established. Chaired by Mr Steve Edwell, the MRDG is supported by Expert Teams that will develop parts of the market design and relevant market rules.

On 6 August 2003, a special subgroup of the Industry Reference Group selected the industry representatives on the MRDG.

The MRDG comprises of 15 members, including four industry representatives (with one from the sustainable energy sector), four representatives from Western Power, one representative from the Department of Treasury and Finance, one representative from the Office of Energy, one representative from the Electricity Reform Implementation Unit (ERIU), two expert advisors and an independent member.

The MRDG consists of the following:

- Steve Edwell (Chair) – Executive Director, Electricity Reform Implementation Unit
- Andrew George – Independent Power Producer, Alinta Limited
- Ky Cao – Independent Retailer, Perth Energy
- David Lyne – Major User, Newmont Power
- Richard Beresford – Representative from the independent sustainable energy sector, Clear Sky
- Keith Kirby – representative from Western Power's Generation business unit
- Tony Perrin – representative from Western Power's Retail business unit

Access Workshop

The development of the Western Australian Electricity Access Code (Code) is being progressed with the drafting of network access pricing regulation principles for inclusion in the draft Code. Access Economics has been engaged by the Electricity Reform Implementation Unit (ERIU) to assist in the development of the pricing principles.

As part of the development process, ERIU hosted a structured workshop for selected industry participants on 17 July. The purpose of the workshop was to enable industry to provide early input into the proposed approaches for network access pricing principles.

The views expressed by industry have provided guidance in the subsequent drafting of the pricing principles section of the Code.

The ERIU intends to consult further on the content of the draft Code in the coming months with a full exposure draft to be released for public comment in December 2003.

- Ken Brown – representative from Western Power's Networks business unit (from the system management area)
- Phil Southwell – representative from Western Power's Networks business unit (from the networks management area)
- Dora Guzeleva – Electricity Reform Implementation Unit
- Kristy Eastough – Department of Treasury and Finance
- Jason Banks – Office of Energy
- John Kelly – Independent Member, providing continuity with the Electricity Reform Task Force's work
- KEMA Consulting – Expert Advisor
- Frontier Economics – Expert Advisor

The Expert Teams also comprise representatives from industry, ERIU, Western Power, Government agencies and expert advisors.

"The establishment of this group marks a significant milestone for the electricity reform process," said Mr Edwell.

"The MRDG is a pivotal group to this process. We have a number of industry and government experts on the MRDG and Expert Teams who will assist us in achieving our goal of opening the wholesale market by July 2006."

ERIU has recently engaged Kema Consulting and Frontier Economics to provide support and advice to the market rules development process.

Both of these organisations have significant experience in the development of wholesale markets and will work closely with the MRDG and the Expert Teams.

The Market Rules are expected to be published in August 2004 and the wholesale market opened on 1 July 2006.

Access Order

The Electricity Distribution Access Order 2003 was published in the Western Australian Government Gazette on 18 July 2003.

The purpose of the Order is to give effect to the recommendation of the Electricity Reform Task Force that the electricity access threshold for contestability be reduced to 5.7kW average load (50MWh per annum) from 1 January 2005. This level of consumption is typical of a small business such as a suburban drycleaner.

As a result of the reduction in contestability threshold, approximately 12,500 customers will be eligible to source electricity from an alternative supplier. This means that around 60 per cent of Western Power's current load on the South West Interconnected System will be open to competition.

Whilst the ability for customers to elect their supplier of choice does not come into effect until 1 January 2005, the early gazettal of the Order demonstrates the Government's commitment to competition in the electricity market and provides the necessary certainty to industry with regard to this key reform milestone.

Prior to the reduction in the contestability threshold, the ERIU will be developing an enhanced customer protection framework including an Energy Ombudsman scheme and Customer Protection Code.

Electricity Reform Consumer Forum

An integral component of the Government's electricity reforms is the establishment of a new customer protection framework to safeguard the interests of small electricity customers.

In recognition of the Government's commitment to small use customers, an Electricity Reform Consumer Forum has been established. This group will provide consumer representatives the opportunity to give advice and feedback to Government on electricity reform matters affecting small electricity users. It will also provide a forum for Government to keep electricity consumer representatives informed of electricity reform implementation issues.

The Consumer Forum will have an important bearing in the development of a Consumer Protection Code.

Membership of the Consumer Forum is composed of representatives from:

- Electricity Reform Implementation Unit;
- Western Australian Council of Social Services;
- Department of Consumer and Employment Protection;
- Financial Counsellors Association of WA;
- Unions WA;
- Remote Control Technologies; and
- Financial Counsellors Resource Project.

Legislation

Detailed work has commenced on the drafting of the necessary legislation to effect the Government's electricity reform programme. Essentially the legislation will consist of two component parts:

- an Electricity Corporations Bill, which will establish the successor entities to Western Power; and
- an Electricity Industry Bill, which will establish a number of electricity market mechanisms.

The Electricity Corporations Bill will establish the four successor entities to Western Power of State Retail, State Networks, State Generation and Regional Power, as well as specifying their powers and functions. In addition, the legislation will also specify the transitional limitations upon the successor entities in order to encourage new market entrants into the industry.

The Electricity Industry Bill will provide for:

- the establishment of a licencing regime addressing the generation, transmission, distribution and sale of electricity;
- heads of power and governance arrangements to establish customer protections such as an electricity customer service code and electricity ombudsman scheme;
- heads of power and governance arrangements to establish a wholesale electricity market;
- heads of power and governance arrangements to establish a Western Australian electricity access code; and
- conferral of specific electricity functions upon the proposed Economic Regulation Authority.

The Government intends to introduce the necessary legislation into Parliament in November 2003.

Minister reaffirms Government's commitment to Western Power employees

In June 2003, the Minister for Energy gave an undertaking to all Western Power employees that:

- Disaggregation will not result in the privatisation of State Generation, State Retail, State Networks and the Regional Power Corporation.
- There will be no forced Western Power redundancies as a result of disaggregation.

- All current Western Power employees will continue to have a position within the new businesses.

- There will be no loss of entitlements of current Western Power employees. Entitlements such as superannuation, long service leave and sick leave will transfer over to the new corporations.

Western Power paves way for Alinta co-generation plant

Western Power and Alinta have signed a standby agreement which paves the way for Alinta to enter into the deregulated electricity market.

Alinta intends to build a 140 MW co-generation plant at the Alcoa Pinjarra alumina refinery. The agreement sees Western Power providing standby power to cover any unavailability of the 140MW generator.

Western Power Managing Director Dr Stephen van der Mye said the arrangement showed Western Power was helping the entry of competition into the WA electricity market.

"Western Power is committed to the State Government's reform of the electricity market," Dr van der Mye said.

"The greatest benefits to come out of the reform process will be from increased competition in the generating and retailing sectors of the industry."



Union Consultation Committee Report

The Government established the Union Consultation Committee (UCC) in April 2003 to provide advice to Government on transitional industrial relations and human resources issues associated with the splitting up of Western Power. The UCC recently visited Queensland and New South Wales to consider how the impact of structural change upon utility employees was successfully managed in those States.

Upon its return, the UCC presented the Minister with its recommendation report, which amongst other things addressed:

- The establishment of a Memorandum of Understanding between Western Power and relevant unions to establish a range of work force policies and practices.
- The establishment of a specific transfer policy to ensure a smooth workforce transition to the successor entities to Western Power.
- Establishment of a contractor policy.
- Initiatives designed to encourage the uptake of apprentices and trainees.

The Minister for Energy has advised the UCC of his general support of the report.



STAKEHOLDER REGISTER

Interested parties are invited to lodge their expression of interest by contacting the Project Management and Stakeholder Coordinator, Ms Annette Watkins.

When submitting an interest, please provide your details, including:

- company name;
- contact person;
- telephone number;
- facsimile number; and
- email address.

Please advise the topics that are of particular interest to allow the ERIU to target its distribution of information.

To submit an interest, please address it to:

The Project Management and Stakeholder Coordinator
Ms Annette Watkins
Level 8, 197 St Georges Terrace
PERTH 6000

Telephone: (08) 9420 5750

Facsimile (08) 9420 5755

Email: eriu@energy.wa.gov.au



Office of Energy
Government of Western Australia

Level 8, Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000

Telephone (08) 9420 5750

Fax (08) 9420 5755

Email eriu@energy.wa.gov.au

Website www.eriu.energy.wa.gov.au