



Electricity Reform News

IN THIS ISSUE • Legislation | Consumer Protection | New Electricity Entities | Sustainable Energy

Government Achieves Legislative Milestone

The State Government's electricity reform process achieved a major milestone in October with the introduction of electricity reform legislation into Parliament. The legislation, in the form of three Bills, will be debated in the Legislative Assembly in November.

THE LEGISLATION CONSISTS OF:

- Electricity Industry Bill 2003;
- Electricity Corporations Bill 2003; and
- Electricity Legislation (Amendments and Transitional Provisions) Bill 2003.

ELECTRICITY INDUSTRY BILL 2003

The Industry Bill provides for the establishment of a number of new electricity market arrangements including wholesale electricity market mechanisms, an independently administered licensing regime, heads of power for an Electricity Access Code, a range of consumer protection measures and the functions of the Economic Regulation Authority.

ELECTRICITY CORPORATIONS BILL 2003

The Corporations Bill provides for the restructure of Western Power and creates the four new Government owned entities of the Electricity Generation Corporation, Electricity Retail Corporation, Electricity Networks Corporation and Regional Power Corporation.

The Electricity Generation Corporation, Networks Corporation and Retail Corporation will undertake Western Power's existing functions in the South West Interconnected System. The Regional Power Corporation will assume responsibility for Western Power's functions in the North West interconnected system and non-interconnected regional systems.

This Bill also specifies the transitional market limitations upon the new Corporations designed to encourage competition in the generation, retail and wholesale electricity markets.

ELECTRICITY LEGISLATION (AMENDMENTS AND TRANSITIONAL PROVISIONS) BILL 2003

This Bill provides for a number of transitional provisions and amendments to several Acts as a result of the restructure of Western Power.

The Bill provides for the Electricity Corporation Act 1994 to be renamed the Electricity Transmission and Distribution Systems (Access) Act 1994 and repeals all provisions except those relating to access to Western Power's transmission and distribution systems. This Bill will allow for the continuation of Western Power's obligations to provide third party access to its transmission and distribution capacity until such time as the Networks Corporation and the Regional Power Corporation, as appropriate, have access arrangements approved under a new Electricity Access Code. The Bill also specifies how the assets, rights and liabilities of Western Power are to be allocated to the four new corporations.

An important aspect of this Bill is that it ensures continuity of service to all Western Power employees. The restructure of Western Power does not disadvantage its employees in terms of staff remuneration, superannuation, existing or accruing rights. It also ensures there is no interruption to continuity of employment.

Copies of these Bills may be obtained from <http://www.parliament.wa.gov.au>

The development of legislation by the Electricity Reform Implementation Unit was an intensive three months exercise including detailed stakeholder input. The Implementation Unit wishes to acknowledge the contributions of all stakeholder groups in providing input into the development of the legislation, in particular:

- Electricity Reform Implementation Steering Committee;
- Market Rules Development Group;
- Electricity Legislation Working Group;
- Electricity Industry Reference Group;
- Electricity Reform Consumer Forum;
- Union Consultation Committee; and
- North West Interconnected System Working Group.



Legislation provides for Extensive Customer Protection



The Electricity Industry Bill currently before Parliament (refer lead story) provides for a range of new and extensive customer protections. Western Australians will now be afforded rights and protections consistent with those available to electricity customers in the Eastern States and to gas customers in this State.

KEY PROTECTIONS INCLUDE:

OMBUDSMAN SCHEME

An Electricity Ombudsman scheme will provide a mechanism for resolving disputes between licensed industry participants and small retail customers.

CUSTOMER SERVICE CODE

A Customer Service Code will regulate the conduct of holders of distribution licences, retail licences and electricity marketing agents and will address such key consumer issues as the disconnection of electricity through non-payment.

STANDARD SUPPLY CONTRACTS

Yet another customer protection initiative is the development of standard supply contracts between customers and retailers where no such contract presently exists.

OBLIGATION TO CONNECT AND SUPPLY

Obligations to connect and supply will assist in ensuring that, in prescribed circumstances, a customer is eligible to be connected to a distribution system and, where a customer requests supply of electricity, supply is guaranteed.

These customer protections will apply to customers consuming 160 megawatt hours per annum or less – the equivalent of an annual electricity bill of up to \$28,000.

New Electricity Entities

Subject to Parliamentary approval, the four new state owned electricity businesses will start trading on 1 July 2004.

The Government has moved to protect these businesses from privatisation by implementing the highest level of protection possible against such an event. The sale of any assets of the corporations will require the approval of both houses of Parliament, which is the same level of protection that is afforded to national parks.

The creation of these new companies is essential for the full benefits of the reforms to be realised. These reforms will position Western Australia to make the best use of its skilled workforce, strong economy and abundant natural resources by helping to attract more investment to the state. This investment will result in economic growth and jobs benefiting all Western Australians.

Independent analysis conducted for the Electricity Reform Task Force found that the benefits of reform included lower electricity prices, an increase in Gross State Product of up to \$300 million a year and the creation of 2,900 new jobs by 2010.

The transition of Western Power staff to the new businesses is being managed through a human resources strategy that is

keeping staff closely informed of progress. The strategy guarantees that all employees will be offered positions with the successor businesses, that there will be no forced redundancies, and that no services will be outsourced or privatised as a result of reform. The Government has included in legislation a requirement for a transfer policy so staff can transfer between the new businesses without loss of entitlements, retaining existing career options.

The new Regional Power Corporation will be headquartered in Karratha to ensure that the key decision makers will be close to the issues that arise in regional areas and is further evidence of the Government's commitment to creating a responsive regional service provider.

A Shared Services Provider will be established to provide a wide range of administrative services under contract to the new businesses, reducing the operating costs of the new entities.

To ensure the transition on 1 July 2004 is as seamless as possible, the new businesses will begin operation as Strengthened Business Units within Western Power from 1 January 2004.

Opportunities for Sustainable Energy

Deputy Premier and Minister for Energy, Eric Ripper, recently outlined a package of initiatives to support sustainable energy as part of the electricity reform process.

Enhanced opportunities for sustainable energy will result in improved environmental performance in the electricity sector through reduced resource consumption, reduced greenhouse gas emissions, increased levels of energy efficiency and greater utilisation of the State's abundant renewable energy resources.

"These initiatives by the Government will build on the very real benefits that electricity reform will bring to sustainable energy through the restructuring of the industry and the introduction of a competitive electricity market," said Mr Steve Edwell, Electricity Reform Implementation Unit Executive Director.

"Importantly, the package provides a sound approach for renewable energy generators in the transition period leading up to the introduction of the new market. This will assist renewable energy generators and project developers that have been struggling under the current regime."

The reform process has included a focus on facilitating sustainable energy outcomes since the outset. The structure of the proposed new electricity market has been carefully designed to remove existing impediments to sustainable energy and to ensure that renewable energy, energy efficiency and demand management have a level playing field.

Key initiatives in the package are outlined below.

- A new procurement will be held to supply Western Power with 100,000 Renewable Energy Certificates (RECs) per year. This will provide a substantial opportunity to the private sector renewable energy industry and will complement the procurement process for 90,000 RECs per year already underway.
- A license condition will require electricity retailers to test the WA market when procuring renewable energy or RECs. This will ensure that the local industry is given the opportunity to compete with renewable energy from elsewhere in Australia.

- A metering subsidy will be provided for smaller contestable customers wishing to purchase renewable energy. This subsidy will reduce the cost of purchasing the interval meter that is required before customers can choose an electricity supplier.
- Two studies will be undertaken to maximise the sustainable energy opportunities flowing from electricity reform. The first will determine how to maximise the renewable energy capacity of the South West Interconnected System, particularly in regard to wind power. The second will explore the potential for demand management and energy efficiency in the new electricity market.

The following initiatives will provide greater opportunities in the transition period and will provide a smoother shift to the new electricity market in July 2006.

- The new Top-Up and Spill (TUAS) service, available to all generators, will address many of the problems currently facing renewable energy generators under the existing balancing arrangements. The TUAS service will include provisions to specifically assist renewable energy generators, including a provision that will provide equal top-up and spill prices for all wind farms, regardless of size.
- A renewable energy production subsidy will provide a subsidy of 1 cent/kWh for new renewable energy in the transition period. This will provide direct support to renewable energy generators in a transparent and non-distortionary manner.
- A Government commitment will ensure that no existing renewable energy generator will be worse off under the TUAS service.

Further details of the sustainable energy initiatives are provided in the publication *Electricity Reform: A New Deal for Sustainable Energy*. Copies are available by contacting ERIU and electronic copies can be downloaded from the ERIU website.

Fact Sheets

Stakeholder engagement is a key focus of the reform implementation process.

The Electricity Reform Implementation Unit has recently published a number of fact sheets aimed at providing stakeholder groups with information on the electricity reform process.

Eight Fact Sheets have been developed that provide an overview of the key issues including:

- Sustainable energy.
- Western Power employees.
- Large and small businesses and the benefits expected to be received from the reform process.

- Impact of the electricity reform process on small customers.
- Reliability of supply.
- The impact of reform upon regional areas of WA.

Copies of the Fact Sheets are available from the Electricity Reform Implementation Unit (ERIU), by contacting Ms Annette Watkins, Project Management and Stakeholder Coordinator on 9420 5671.

Alternatively, copies of the Fact Sheets may be downloaded from the ERIU website www.eriu.energy.wa.gov.au.



Electricity Reform Implementation Unit Website

With implementation of reform in full swing, the ERIU has revamped its existing web site to improve the public availability of information on the reform process.

Progress reports, newsletters and exposure drafts of legislation, market rules and the access code will be regularly published on the website.

Public release of exposure drafts and position papers on aspects of the reform, including the access code and market rules will ensure that all interested parties have the opportunity to provide detailed comment on various parts of the electricity reform process.

In addition to having an opportunity to provide input into exposure drafts and position papers, a series of workshops and forums are scheduled. Details of these events will also be published on the ERIU website.

The ERIU website address is www.eriu.energy.wa.gov.au

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:

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