

Electricity Reform News

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Editorial

Welcome to the first edition of Electricity Reform News for 2004.

Without doubt the pace of reform is quickening as we move towards having the four Western Power successor entities in place and operational by July 1 this year.

Since late last year the Office of Energy's Electricity Reform Implementation Unit has been working virtually non-stop on ensuring that the key components to reform are progressing to meet our mid-year deadline.

Also, late last year, a number of policy and discussion papers were circulated for further consultation with industry groups and the public. These included the Market Governance Framework, the new Market Rules and the Detailed Market Design.

In keeping with our commitment to full public and industry consultation, we have been working closely with all of the various industry reference groups and their support has been invaluable.

The State Government has also ensured that the public is fully abreast of the reform process and issued a newsletter to more than 860,000 electricity users throughout the State.

Next month Parliament resumes and so too does debate in the Legislative Council on the legislative package of the three Bills which were passed by the Legislative Assembly in November last year.

It is indeed a busy time.

Steve Edwell
ERIU Executive Director



Market Rules Take Shape

The structure and operation of the Wholesale Electricity Market for the South West Interconnected System has moved a step closer with agreement on a draft Market Governance Framework.

The Market Governance Framework sets out the administrative and institutional arrangements that will promote the effective and low cost functioning of the market.

The Framework covers structures and processes for decision-making, accountability, controls, the flow of information and risk management.

Development of the Framework was undertaken by the Office of Energy's Electricity Reform Implementation Unit (ERIU) in consultation with the Market Rules Development Group (MRDG), which includes representatives from industry, Western Power and Treasury.

Meanwhile, significant progress is being made on the detailed design of the new Wholesale Electricity Market and the drafting of market rules that will support the conduct and operation of the market.

A draft of the detailed Market Design was circulated for public comment in late November 2003, while a draft of the new Market Rules was released for comment in mid December.

These Market Rules will be subject to delegated legislation under the Electricity Industry Bill currently before the Upper House of State Parliament.

The MRDG and the Electricity Reform Implementation Steering Committee will consider both the Detailed Market Design and the Market Rules for endorsement over the next few months.

The timetable for development of the Wholesale Electricity Market is as follows:

March 2004 • Second draft of Market Rules.

July 2004 • Completion of Market Rules.

July 2004 to June 2006
Development Market IT Systems, Testing and Trials.

July 2006 • Market Start.

To view the above documents and subsequent versions, please visit the Office of Energy's Electricity Reform Implementation Unit's (ERIU) web site at www.eriu.energy.wa.gov.au

Electricity debate set to continue

Debate on the State Government's proposed electricity reform legislation is set to continue when State Parliament resumes in March.

The Legislative Council of State Parliament will continue debate on the legislation, which is in the form of three Bills. These Bills include:

Electricity Industry Bill 2003

This Bill includes the establishment of a number of new market arrangements including the Wholesale Electricity Market, an independent licensing regime and the Electricity Access Code.

Electricity Corporations Bill 2003

This Bill provides for the restructure of Western Power into four new entities including the Electricity Generation Corporation, Electricity Retail Corporation, Electricity Networks Corporation and a Regional Power Corporation.

Electricity Legislation (Amendments and Transitional Provisions) Bill 2003

This Bill is an administrative Bill which provides for the transfer of Western Power's assets, rights and liabilities to the four successor entities. In addition, the Bill addresses transitional electricity access arrangements and makes amendments to existing legislation in response to the four new corporations and market arrangements.

The legislative package passed through the Legislative Assembly in November 2003.

Industry to have its say on Access Code

Industry groups will be invited to participate in a series of workshops in March as progress is made to finalise the Electricity Access Code by June this year.

The Code will regulate the terms of access to electricity grids within the State by retailers and generators. As monopoly infrastructure, these electricity networks are open to be declared under Part 3A of the Trade Practices Act 1974 in the absence of a certified State based access regime. Ultimately the Code will need to be certified by the National Competition Council (NCC).

The Western Australian Code will be delegated legislation under the Electricity Industry Bill currently before the Upper House of State Parliament.

The Code will establish a framework for the development of an Access Arrangement in respect to networks to be covered by the Code. This arrangement will require the approval of the newly formed Economic Regulation Authority, which will then govern contractual arrangements between a Network Service Provider and Third Parties.

Issues to be addressed in the Code include:

- those criteria which must be met before an electricity network is caught by the Code;
- requirements that a Network Service Provider must meet in negotiating an access contract with a User;
- pricing;
- the role of the Regulator (Economic Regulation Authority);
- dispute resolution procedures;
- information provision; and
- obligations of the User and Network Service Provider.

The draft Code is being developed by ERIU in conjunction with the Access Code Development Committee (ACDC), consisting of industry and Government representatives.

Prior to its release for public consultation, a series of stakeholder workshops will also be held. Key milestones for completion of the Code include:

19 February 2004

Circulation of draft Code to industry workshop participants.

4 March 2004

Industry Workshop

31 March 2004

Industry Workshop

April/mid May 2004

Public consultation

28 May 2004

ACDC to agree final Code

May/June 2004

National Competition Council certification process.

Reference is also being made to the Productivity Commission Draft Report on the National Gas Pipeline Access Code in developing the Code.

Any queries in relation to the Code should be directed to Alistair Butcher on 9420 5750.

Western Power Moves on New Business Structure

Western Power has taken the important step of restructuring its operations to reflect the new operational environment that will exist under the State Government's reform proposals.

As of January 1 this year, Western Power established what it calls Strengthened Business Units (SBU) and appointed new General Managers to each of these units.

Working closely with the Electricity Reform Implementation Unit, these business units are playing a key role in the development of a strategy, processes and systems and staffing arrangements for the successor entities, due to commence independent operations on July 1 this year.

To further assist in the reform process, the Western Power Board has moved to establish a committee of Directors for each business unit. This will enable Western Power to deliver on its contribution to the reform process while ensuring that each SBU's specific requirements are considered during implementation.

The Western Power Board will continue to remain the sole body responsible for fulfilling the businesses' legal obligations until the establishment of the four successor corporations.

Meanwhile, Western Power will establish a Shared Services Provider (SSP) that will provide non-core services to each of the new entities, reducing duplication and minimising costs. Services to be provided by the SSP will include IT systems, fleet management and payroll.

Under the guidance of the ERIU a "due diligence" project continues to identify the assets for transfer to the respective successor entities.

Work is also continuing on modification of Western Power's existing information systems to support the restructure on 1 July 2004 without unnecessarily incurring system development costs.



Community Information

Western Australia's more than 860,000 residential and commercial customers throughout the State have received a newsletter with their power bill explaining the planned reforms to the State's electricity market.

Customers received detailed information about the proposed creation of four new Government-owned corporations.

The Government sent out the newsletter based on feedback from surveys and meetings with electricity users. It was made apparent that consumers wanted to be further informed on the

electricity reform process, in particular to changes to Western Power as a State owned utility.

To ensure all consumers received the information in a cost-effective manner, distribution was undertaken using the Western Power billing process.

Copies of the newsletter can be downloaded from the ERIU's website. www.eri.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:

The Project Management and Stakeholder Coordinator

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