

Electricity Industry Bill passed by Parliament

The successful passage of the Electricity Industry Bill 2004 through Parliament on Thursday 8 April 2004 is a significant milestone for the Electricity Reform process.

Key aspects of the electricity reform program given force by the Electricity Industry Bill 2004 include:

- An electricity licensing regime as a means of opening the industry to new entrants.
- Establishment of a wholesale electricity market in the South West Interconnected System.
- Establishment of Standard Customer Contracts and an Electricity Customer Service Code to provide small customers with enhanced protection regarding their electricity supply.

- An Electricity access code to ensure the efficient use of, and investment in the State's electricity networks.
- An electricity Ombudsman scheme.

Work leading to the implementation of these reforms is well advanced.

As reported in a previous issue of Electricity Reform News, the legislative package for electricity reform consisted of three Bills. In addition to the Electricity Industry Bill 2004, the Electricity Legislation Amendment Bill is expected to be progressed in the Legislative Council later next month. This Bill is largely mechanical and makes necessary amendments to other Acts to enable the provisions within the Electricity Industry Bill 2004 to operate.

Unlike the Electricity Industry Bill 2004, the Electricity Corporations Bill 2003, has not received bipartisan support in the Legislative Council and has accordingly been suspended by the Government for reintroduction at a later stage.

Implications for Electricity Reform Program

Lack of support among Opposition and minor parties for the Electricity Corporations Bill 2003 means that the restructure of Western Power into four statutory authorities, as contemplated by that legislation, has been put aside.

The absence of a legislative mandate to restructure Western Power, can potentially undermine the credibility of the proposed Wholesale Market for the South West Interconnected System. The Electricity Corporations Bill, apart from giving effect to the restructure of Western Power, provided for a market power mitigation framework to address the market dominance of the Western Power successor entities in the developing market. Vesting contracts, total separation of the retail and generation businesses and controls over Western Power's ability to invest in new generation capacity were to be key components of the new market regime.

The design of the Wholesale Market may now need to be modified in light of the legislative outcome.

Nevertheless, the Government remains committed to the reform of the electricity industry. The Government will continue to progress the implementation of measures under the Electricity Industry Bill. This newsletter reports on progress on implementation of some of these measures, including a new electricity access regime for the State's network infrastructure, the development of a customer service code and introduction of a new energy balancing arrangement (Top Up and Spill) as a transition to the new Wholesale Market.



Development of a customer service code well on track

The development of the first ever Western Australian Electricity Customer Service Code is well under way, with public consultation expected by July 2004.

More than 850,000 electricity customers will soon benefit from the implementation of the first ever Western Australian Customer Service Code for the electricity industry.

The Code, a major element of the Government's electricity reforms, will establish minimum service standards for the supply of electricity to customers who consume less than 160 MWh per year (equivalent to an annual electricity bill of approximately \$8,000).

This key component of the electricity reform agenda will cover issues such as connection, disconnection and reconnection, billing, payment, marketing, dispute resolution and the provision of information to customers.

Public consultation

The Code is expected to be released for public consultation in July 2004. Interested parties will have eight weeks to submit any comments.

Following the public consultation period, the Electricity Reform Consumer Forum, tasked with the development of the Code, will review the public comments and amend the draft Code accordingly.

It will then be submitted to the Minister for Energy for approval.

Stakeholder participation essential

Stakeholders have been provided with the opportunity to contribute to the development of the Western Australian Customer Service Code through the establishment of the Electricity Reform Consumer Forum.

The Forum consists of consumer representatives, industry participants and Government.

Current members include:

- Western Australian Council of Social Services;
- Financial Counsellors Resource Project;
- Western Power;
- Alinta;
- Remote Control Technologies;
- Perth Energy;
- Department of Consumer and Employment Protection; and
- Social Policy Unit of the Department of the Premier and Cabinet.

The Office of Energy's Electricity Reform Implementation Unit undertakes the Forum's Chair and Secretariat functions.

The Code will be given effect under the Electricity Industry Bill.



Access code released for public consultation

The Western Australian Electricity Networks Access Code 2004 was released for public consultation, in early April.

The Access Code is a fundamental element of the Government's reform program for the electricity industry. The Access Code sets the framework for the independent regulation of third party access to covered electricity networks within the State.

A copy of the Access Code and supporting documentation is available at the Office of Energy's Electricity Reform Implementation Unit's (ERIU) website on www.eriu.energy.wa.gov.au.

Development of the Access Code has been based on analysing experiences with access to electricity networks in the Eastern States, and experience with the uniform Gas Pipelines Access Law.

Comments are being sought from interested parties on the regime provided for in the Access Code. While any comments are welcome, there are questions posed at the beginning of each chapter of the exposure draft Code to highlight some specific issues that interested parties are encouraged to consider.

Development of the Access Code started in November 2003. Industry and Government stakeholders have provided extensive input into the development of the Access Code, principally through the Access Code Development Committee. Broader consultation on the Access Code has also been conducted through a number of industry stakeholder forums.

The public consultation period will extend for six weeks. Interested parties are requested to make submissions by 1 pm on Friday, 14 May 2004. All submissions should be addressed to Alistair Butcher (eriu@energy.wa.gov.au). Whilst all comments should be in writing, questions on the Access Code can be directed to Mr Butcher on (08) 9420 5750.

Top-Up and Spill: a new service towards a truly competitive market structure

The month of May will see the introduction of a new Top-Up and Spill (TUAS) service into the Western Australian electricity industry, facilitating the participation of independent power producers.

The TUAS service will alleviate some of the difficulties that Independent Power Producers (IPPs) have faced as a result of existing balancing arrangements.

This is particularly good news for IPPs considering taking advantage of the reduction in the customer contestability level to 5.7kW in January 2005. From this time, electricity customers consuming more than 5.7kW per annum, or with an annual electricity bill greater than \$8,000, will have the ability to choose their electricity supplier.

The TUAS service will also address some of the particular needs of intermittent renewable generators, such as windfarms, which are unable to match their moment by moment output to their customers' demand.

The current arrangements

The provision of "open access" to Western Power's transmission and distribution networks has been a key element of reform within the electricity sector over the past few years.

Under the current arrangements, IPPs are allowed to use the networks to transmit energy from their power stations to customers.

This approach works well as long as the amount of electricity that an IPP injects into the network is equal to the amount taken out, as the actions of the IPP should not affect the ongoing operations of Western Power.

This requirement to balance electricity input and output can, however, impose potentially significant costs onto an IPP.

To be able to comply, an IPP must have equipment to continuously measure the load of each of its customers and communicate this data to its generating station. It then needs to be able to control the generating plant to match this load. Equipment to do this is relatively expensive and can only be justified for supply to loads above one megawatt.

The IPP also faces the loss of efficiency in not being able to optimise production from its generators. In addition, penalties may be applied if it inadvertently injects extra power into, or draws excess power from the grid.

TUAS - the balancing service

In light of this, in November 2002 the State Cabinet endorsed a recommendation from the Electricity Reform Task Force to develop an improved balancing service as a transition towards the Wholesale Market.

Since then, the Office of Energy's Electricity Reform Implementation Unit, Western Power and industry have been working to develop this balancing service, called Top-Up and Spill or TUAS.



IPPs who participate in the TUAS service will be able to purchase "top up" electricity from Western Power whenever their own output is insufficient to meet their customers' load. When their output exceeds customer demand, they will be able to "spill" or provide this excess to Western Power.

IPPs can use the service for balancing but, in addition, they can also trade larger quantities of power when it is economical to do so.

For example, at times when the cost of buying electricity is low, an IPP may be able to reduce its costs by cutting back its own production and topping up from Western Power. Similarly, when Western Power is forced to operate expensive peaking plants to meet high demand, IPPs can expect to see prices that will encourage them to increase their output and spill or provide energy to Western Power.

The TUAS arrangement will be implemented by a Code and will be supported by operational procedures to be developed by Western Power.

Pricing

Western Power will publish sets of prices for top up and for spill in advance.

Because electricity demand is influenced strongly by temperature, different prices will apply for seasons defined as cold, warm and hot.

One step closer to the wholesale market

The TUAS service is intended to be a transitional arrangement to a Wholesale Electricity Market, scheduled for 2006.

The TUAS service clearly lacks the dynamic pricing of a market. It also requires Western Power to be the counter party for all trading rather than allowing IPPs to trade directly with one another.

However, it provides a relatively low cost advance upon the existing arrangements and will be a sound step towards implementation of the full market.



Electricity Reform Implementation Unit Website

Progress reports, newsletters and exposure drafts of legislation, market rules and the access code are 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 comments on various parts of the electricity reform process.

In addition to having an opportunity to provide input into exposure drafts and position papers, workshops and forums are held on an ad hoc basis. Details of these events will also be 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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