



## Western Power restructure set to proceed

The Western Australian Parliament has approved legislation to allow the restructure of Western Power, which is vital to the reform of the State's electricity industry.

The *Electricity Corporations Bill 2005* was passed by both the Legislative Assembly and Legislative Council on Thursday 22 September 2005.

The restructure of Western Power will proceed on 31 March 2006, establishing four new specialised businesses.

The new corporations include a Generation business, a Retail business and a Networks business operating within the South West Interconnected System (SWIS). A new corporation will also be established for electricity supply in regional areas outside the SWIS.

The key benefits of the restructure include:

- allowing real competition in the electricity industry to improve prices and services to customers; and

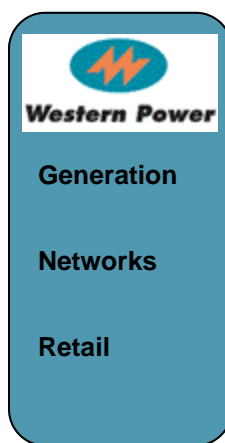
- independent corporations that are accountable for network services and supply to regional areas.

During the parliamentary debate, the Government also confirmed a cap on electricity prices to small business and residential customers, meaning prices would continue to fall in real terms.

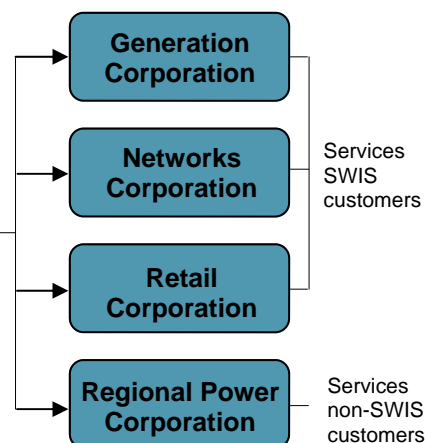
The Government reaffirmed that none of the entities would be privatised and the legislation includes specific measures to require Parliament's consideration of any sale.

For more information on the *Electricity Corporations Bill 2005*, visit the ERIU website at [www.eriu.energy.wa.gov.au](http://www.eriu.energy.wa.gov.au).

### Present Structure



### Structure following Reform



## Networks Access Code changes

A number of amendments to the *Electricity Networks Access Code* are currently being considered.

The Access Code provides the regulatory framework which allows access to the electricity network on fair and reasonable terms.

The proposed changes to the Code will provide for:

- the implementation of the Tariff Equalisation Fund that will be established in the restructure;

- changes in the treatment of customer capital contributions in the calculation of regulated revenue; and

- minor drafting amendments.

Consultation is occurring on the changes and a final decision is expected in October 2005.

# Next phase of Electricity Reform



The Government's Electricity Reform program has entered a second phase of detailed implementation.

The Electricity Reform blueprint approved by the Government is well advanced, particularly with the establishment of the Independent Market Operator (IMO), the *Electricity Networks Access Code*, the Energy Ombudsman and the passage of reform-related legislation.

In cooperation with Western Power, the Office of Energy is now implementing a significant work program for the Corporation's restructure by 31 March 2006 including:

- allocating assets, rights and liabilities and preparing the legal Transfer Order to implement the transaction;

- establishing the basis for inter-entity agreements, including vesting contracts for wholesale energy and shared services agreements;

- developing detailed arrangements for the Tariff Equalisation Fund; and

- updating the financial analysis and opening Balance Sheets for each of the successor entities.

In addition to the work required to restructure Western Power, the Office of Energy is also supporting the IMO's preparation for the wholesale market, implementing customer protection measures and a range of other Government initiatives related to electricity reform.

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## Milestones in Electricity Reform

<b>REFORM LEGISLATION</b>	<i>Electricity Industry Act 2004</i>	Nov 2004
	<i>Electricity Legislation Amendment Act 2004</i>	Nov 2004
	<i>Electricity Corporations Act 2005</i>	Oct 2005
<b>ELECTRICITY MARKET</b>	TUAS transitional market commenced	June 2004
	Market Rules gazetted	Oct 2004
	Independent Market Operator established	Nov 2004
	Reserve Capacity Expression of Interest	Dec 2004
<b>NETWORK ACCESS</b>	Approval of <i>Electricity Networks Access Code</i>	Nov 2004
<b>CONSUMER PROTECTION</b>	Customer Service Code	Dec 2005
	Electricity licensing regime	Jan 2005
	Renewable Energy Buyback Scheme	June 2005
	Energy Ombudsman	Sept 2005
	Obligation to Connect	Oct 2005
<b>MARKET POWER MITIGATION</b>	Enhanced Powers of Direction	Nov 2004
	Cap on Western Power generation capacity	Mar 2005
	<i>Electricity Corporations Bill 2005</i> restrictions	Sept 2005
<b>RETAIL COMPETITION</b>	Customer Transfer Code	Dec 2004
	Contestability threshold reduced to 50MWh level	Jan 2005



# Integrated Measures to Improve Network Services

The State Government is undertaking an unprecedented investment program in the electricity networks infrastructure in Western Australia.

It has approved a **\$2.23 billion** expenditure program in the South West Interconnected System (SWIS) over the next four years. This includes capital expenditure of \$1,603 million and operating expenditure of \$625 million to:

urgently improve the safety of electricity networks in the SWIS;

develop the transmission and distribution infrastructure required to support the State's fast-growing economy and new residential development; and

identify and target reliability 'blackspots' where network service problems must be addressed as a priority.

The Government is also continuing to implement the \$48 million four-year *Rural Power Improvement Program* that is improving power supplies to 43,000 customers in the worst affected rural areas on the SWIS.

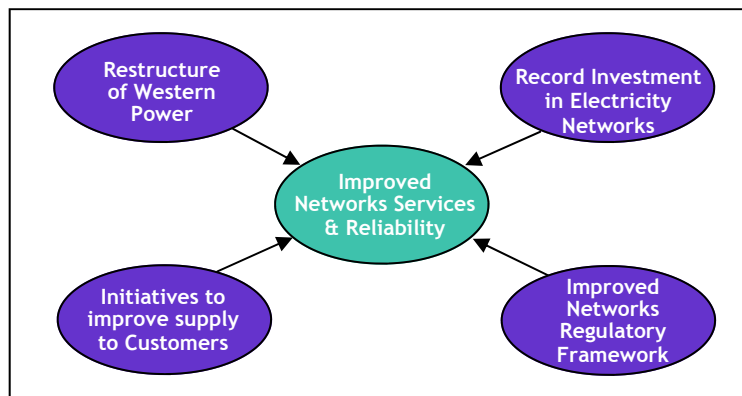
The record expenditure program is part of the Government's integrated strategy to improve networks services and reliability. Other aspects of the strategy include:

the restructure of Western Power, establishing corporations with increased focus on SWIS network performance and service delivery outside the SWIS;

an improved regulatory framework including an *Electricity Networks Access Code* under which the Economic Regulation Authority will assess service standards and monitor performance and a *Reliability and Quality of Supply Code* to specify minimum standards and provide a safety net for small customers;

the establishment of an Independent Market Operator with key responsibility for ensuring adequate generation capacity is available to meet future demand in the SWIS; and

an improved Customer Protection Framework including a Code of Conduct for the supply of electricity to small use customers.



For more information, visit the ERIU website at [www.eri.energy.wa.gov.au](http://www.eri.energy.wa.gov.au).

## Approval of Renewable Energy Buyback Scheme

Government has introduced a new scheme requiring Western Power to purchase electricity from small renewable energy suppliers.

Coordinator of Energy, Anne Nolan, said the new scheme would ensure the purchase of renewable source electricity on fair and reasonable terms and conditions.

“Under the scheme, Western Power is required to submit a contract for approval of the purchase of electricity generated from small renewable energy sources, such as photovoltaic systems,” said Ms Nolan.

“Once approved, Western Power is obliged to offer to purchase electricity from customers under the terms of the approved contract.”

Eligible participants have an indefinite term in which to recoup the cost of their renewable energy source over the life of the contract. Further scheme safeguards for customers include Government approved prices to ensure a fair and equitable deal for all.

More information and a copy of the contract can be obtained from Western Power's website [www.westernpower.com.au](http://www.westernpower.com.au).

## Energy Ombudsman latest customer protection initiative

Western Australia's 1.4 million small business and residential electricity and gas customers now have access to an independent complaint resolution mechanism, the Energy Ombudsman.

Building on the success of the Gas Industry Ombudsman arrangements introduced in June 2004, the Energy Ombudsman is an integral component of a range of new electricity customer protections which have been progressively introduced since January 2005.

The Energy Ombudsman provides residential and small business customers with an alternative, impartial and cost-free avenue for handling disputes with their electricity or gas companies.

The Energy Ombudsman will investigate and facilitate customer complaints and uphold the principles of independence, natural justice, access, equity, effectiveness and community awareness.

Residential and small business customers consuming less than 160 megawatt hours of electricity (equivalent to an annual electricity bill of less than \$28,000) or 1 terajoule of gas (equivalent to annual gas bill of less than \$12,000), may bring a complaint or dispute before the Ombudsman.

Complaints must first be directed to the gas or electricity service provider for a response before contacting the Energy Ombudsman.

**How to contact the Energy Ombudsman:**  
Freecall - 1800 754 004  
Freefax - 1800 611 279  
Website - [www.ombudsman.wa.gov.au/energy](http://www.ombudsman.wa.gov.au/energy)

## Maximising renewable energy generation

On 29 October 2003, the Government announced a policy package, "Electricity Reform: A New Deal for Sustainable Energy".

The aim of this package was to provide incentives to promote the development of renewable energy generation projects and advocate opportunities provided by Western Australia's significant renewable energy resources.

## Power cap to promote competition and investment

Western Power's generation capacity is now subject to a cap of 3,000 megawatts. The cap was established by a direction from the Minister for Energy to promote competition in the new electricity market.

The capacity cap relates to all generating works owned by Western Power for the provision of electricity to the South West Interconnected System.

The cap will restrict Western Power from building any new generation plant until its current capacity of 3,400 megawatts is reduced through plant retirement to meet the cap.

It will provide certainty to potential investors regarding the rules that apply to Western Power in building new generation plant.

The capacity cap will apply to the Generation Corporation which will be established in the restructure of Western Power.

More information and a copy of the Minister's Direction is available on the ERIU website.

## Small use customer connections mandated

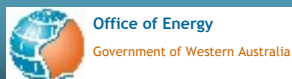
Regulations took effect in early October 2005 that require a distributor to connect small use customers in prescribed circumstances, based on the least cost connection.

The Regulations also specify the minimum time periods for customer connections.

For more information, visit the ERIU website.

A key element of the package was the commissioning of a study to develop strategies to maximise the renewable energy capacity of the South West Interconnected System.

The study is being undertaken by Econnect Australia. To register interest in receiving a draft copy of the report when available, please contact [eriu@energy.wa.gov.au](mailto:eriu@energy.wa.gov.au).



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