



Terms of Reference Commercial Business Steering Committee (CBSC)

Purpose

The Commercial Business Steering Committee (CBSC) has been established in April 2005 to oversee the implementation of the disaggregation of Western Power into four successor entities.

The disaggregation of Western Power is scheduled to occur on 31 March 2006.

In addition to its primary role in the oversight of disaggregation, the CBSC will also strengthen working arrangements between Western Power, the Office of Energy and the Department of Treasury and Finance in the period prior to disaggregation. It will facilitate inter-agency discussion on key commercial issues that may have significance to the State's financial position or the Government's electricity reform objectives.

The statutory roles of the Minister and the Board of Western Power remain unaffected by the establishment of the CBSC. However, the clarity of information provided to both the Minister and the Board should be improved through the Committee's management of issues.

Composition and Modus Operandi

The CBSC will include chief executive representation from the key government agencies, including:

- The Coordinator of Energy (Chair), Office of Energy;
- The Under Treasurer, Department of Treasury and Finance; and
- The Managing Director, Western Power.

The CBSC will report to the Minister for Energy. The CBSC will operate under relatively formal arrangements while retaining appropriate flexibility. It is expected that the Committee will meet on at least a monthly basis, with additional meetings as required. An Agenda will be circulated by the Chair and brief minutes will record the outcomes of the Committee meeting.

The CBSC will be supported by a secretariat provided by the Office of Energy's Electricity Reform Implementation Unit (ERIU), which is responsible for coordinating the implementation of the disaggregation work program.

ERIU will manage the agenda of the CBSC and coordinate the input of each agency. However, any of the three agencies may initiate agenda items for the Committee, particularly given one of its proposed roles is to provide a forum to discuss commercial issues.

Objectives

1. To oversee the successful disaggregation of Western Power by 31 March 2006, into four separate successor entities: State Generation; State Networks; State Retail; and Regional Power Corporation;
2. To ensure Western Power's implementation of reform-related activities reflects the Government's energy policy objectives, including preparing the Corporation for disaggregation and its entry into a competitive electricity market;
3. To identify and resolve, where possible, issues that arise between the Government's multiple objectives of electricity market reform, commercial performance and shareholder value; and
4. To improve the quality and transparency of advice to the Minister for Energy and Government on complex energy issues which impact on the Government's objectives.

Scope of Responsibilities

Responsibilities relating to Disaggregation

The Committee will be responsible for the following activities related to disaggregation:

- Leading, overseeing and providing direction in relation to the implementation of the four-way disaggregation of Western Power and other reform activities where relevant;
- Determining key issues relating to the disaggregation work program, including approving the project scope, key deliverables, milestones and resourcing arrangements;
- Determining outstanding policy issues relating to the implementation of disaggregation that may relate to the proposed assignment of rights, assets and liabilities and/or the establishment of inter-entity contracts and funding arrangements;
- Resolving issues relating to practical and operational requirements of disaggregation, such as staff migration, information systems development, and corporate services requirements; and
- Ensuring an appropriate corporate and legal governance framework is established for the successor entities.

Responsibilities relating to Western Power

In addition to its responsibility for disaggregation, the CBSC is a natural forum to resolve strategic commercial issues that require discussion between Western Power and government agencies.

Some of the issues that may be discussed by the CBSC in relation to Western Power include:

- Corporate plans requiring the Government's approval including the Strategic Development Plan and Statement of Corporate Intent;

- Financial management reforms progressed by Western Power including SBU performance frameworks and the Board's consideration of valuation and accounting issues;
- Western Power's strategic response to competition, including retail contracting strategies and generation initiatives to improve operational performance or increase competitiveness;
- Any issues arising in relation to Western Power's State Budget Forecasts that directly relate to the strategic direction of Western Power or the Government's electricity policy objectives;
- Any issues of concern to Western Power in relation to the commercial impact of the implementation of the reform process; and
- Any issues arising in relation to the Government's consideration of specific requests for approval of transactions under Section 34 of the *Electricity Corporation Act 1994*.

OFFICE OF ENERGY
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