

ELECTRICITY CORPORATIONS BILL 2005

Second Reading

Resumed from 25 August.

HON GEORGE CASH (North Metropolitan) [3.40 pm]: This is the third opportunity I have had to speak in the second reading debate of the Electricity Corporations Bill 2005. For the benefit of members, because I know they are so interested in this bill, I will very quickly refer to some of the matters that I have raised to date. For instance, I began my discussion some time last week by referring to the Electricity Reform Task Force established by the then Minister for Energy, Hon Eric Ripper, in 2001. I spoke about the purposes of that committee and of its eventual report, as well as the action taken by the government, in particular Hon Eric Ripper as the then Minister for Energy, in considering those recommendations and causing to be introduced into the Parliament three bills directed at reforming the electricity system in Western Australia. The three bills were the Electricity Industry Bill 2003, which was passed by the Parliament with some amendments; the Electricity Legislation (Amendments and Transitional Provisions) Bill 2003, which was passed with significant amendments; and the Electricity Corporations Bill 2003, which did not proceed past the minister's second reading speech in the Legislative Council as it was apparent that the government could not garner sufficient support for the proposals contained in that bill. In short, the Electricity Corporations Bill 2003 proposed to divide Western Power Corporation into four entities. At that stage, the opposition did not support that proposition, although we did negotiate behind the chair with the government on a number of occasions to see whether some amendments could be agreed between the parties to progress that bill. Regrettably, that did not occur at the time. We now find, following the 2005 election, that the government has reintroduced the Electricity Corporations Bill. The 2005 bill generally seeks to do what the 2003 bill intended to do; that is, to split the corporation into four separate entities.

During the course of my remarks, I have also made reference to the price of electricity in Western Australia, particularly in the south west interconnected system. Consumers in Western Australia pay a considerable amount more for their electricity than do consumers in the eastern states. I referred to various tables that have been produced by well-qualified organisations in that regard.

I also mentioned the failure of Western Power as an organisation to be sufficiently well managed to be able to project the electricity needs of Western Australia. As a result of the inability of Western Power to be on top of electricity needs, significant job and other economic opportunities have been lost on an annual basis in this state.

I should outline that when the 2003 bills were being discussed, there was considerable feeling within Western Power that indicated that the corporation as a whole was not supportive of the government's moves, which caused significant problems and division within the organisation. I am pleased to have been made aware by Mr Tony Iannello, the managing director of Western Power Corporation, at a briefing he conducted in June this year that Western Power now wants to work with the government on the disaggregation of the corporation into four separate entities and is keen to be given some certainty on where the corporation is headed.

I also made reference to the blackout that occurred in February 2004 and the subsequent appointment and report of the Cronin committee. The Cronin report was very critical of Western Power Corporation. In particular, the report made reference to the deficiencies in forecasting and planning that were inherent in the structure of Western Power. There was also significant criticism of the failure of Western Power to have an adequate crisis management plan in place, given that it is such an important organisation that provides a service across the south west interconnected system.

On Thursday last week I spoke about the networks of Western Power Corporation. I made the point that the networks system within Western Power is recognised as being the only natural monopoly of all the entities to be created. When the networks system becomes an independent entity and an independent audit is conducted of it, I believe it is likely, having some knowledge of the networks system and having spoken to some very senior Western Power employees, that the independent audit will find that tens of millions of dollars will need to be spent on the networks to bring them up to an adequate standard to cope with the additional sources of power that will be generated by independent power suppliers so that power can be inputted into the grid and so that the grid can be expanded to cope with future demand, which can now be fairly well forecasted within the south west interconnected system. I made the point that, although the government has announced that it intends to expend considerable additional funds on network reliability, I do not believe that the whole story is being told about the state of the networks. It is absolutely critical that we replace certain old infrastructure, that we improve the public safety side of the networks system and, of course, that we improve the reliability of the networks system.

The Electricity Networks Corporation, as a separate, dedicated, independent service provider, will have its performance monitored by the Economic Regulation Authority, which will be able to require it to carry out certain works to ensure that a particular service level is met and that the current standard is improved. The big

challenge for the Electricity Networks Corporation, and indeed for Western Power Corporation as a whole, will be in its ability to achieve the objectives and requirements set down by the Economic Regulation Authority without tariff increases or a repeat of the significant salary increases that were enjoyed by the senior management of Western Power soon after its corporatisation in the early 1990s. I need not say any more at this stage about the networks side of the business as that will be covered during committee.

Before finishing, I turn to discuss the renewable energy option. This house last week debated a motion moved by Hon Paul Llewellyn on the need to consider in greater detail the renewable energy option. At that time, I referred to the 90-megawatt Walkaway wind farm opened by the Premier about two weeks ago, and the 80-megawatt wind farm that opened a few months ago at Emu Downs near Cervantes. These are important steps forward in the use of renewable energy, but, unquestionably, more needs to be done and greater concentration can be placed on the renewable energy option. I say that because members will be aware that the price of oil has increased very significantly during the past five years. It is currently predicted by some to increase towards, or even in excess of, \$US100 a barrel over the next few years. That in itself will cause greater pressure to be placed on the need to seriously consider alternatives to fossil fuels as a form of energy. When I made notes on this subject some weeks ago, the oil price was in the high \$US50s and later in the early \$US60s a barrel. I note that two days ago in New York the price of oil exceeded \$US70 a barrel, and at one stage the spot market price reached \$US73. In New York last night the price slipped back under \$US70. Some of the pressure on the oil price related to the huge hurricane that passed over New Orleans in the past 24 hours or so. Predictions were made that it would impact on the capacity of the US to pump oil from the Gulf of Mexico area. That immediate crisis has passed, and the price is now under \$US70 a barrel. Nevertheless, the price is still exceedingly high when compared with the prices of the past few years.

It is interesting to recognise that fossil fuels compromise 85 per cent of global energy, and 75 per cent of that energy is used to power cities and urban development. Historic fossil fuel use evidence indicates that fossil fuel use has risen from 1.7 billion tonnes of oil equivalent in 1950 to eight billion tonnes in 1999. Those increases basically parallel population increases in global urbanisation. I mention cities and urbanisation for a particular reason - that is, that is where, in the main, most electricity is used. Opportunities are available for governments around the world to reduce fossil fuel use in urban developments in particular. The point that needs to be made is that institutional reform is needed if we are to recognise and act on the need to reduce fossil fuel use right across the globe. An undoubted shift in community awareness has occurred in recent years. In part, that has been due to the escalation in the oil price, which has been reflected in increases in the use of coal and other fossil fuels. However, a growing environmental awareness has been evident that has combined with more affordable renewable energy products being introduced and delivered onto the market. In general terms, we are heading in the right direction in so much as I think the world community recognises the problems associated with the use of fossil fuels. In general terms, we are moving towards greater recognition of opportunities that renewable fuel options present for countries prepared to stand up and be counted in this area.

Countries in Europe and a number of states within the United States of America have clearly recognised the damage done to the environment from the use of conventional fuels. Many European countries have legislation requiring the generation of a mandated amount of renewable energy. In fact, some European countries have a mandated renewable energy target - sometimes known as MRET - of up to 20 per cent. In some states of the US, the MRET is up to 40 per cent. In Australia, commonwealth legislation requires that 9 500 gigawatt hours of extra renewable electricity must be brought on stream by 2010. The Australian MRET for 2010 was originally defined as a two per cent increase on the 10.5 per cent total market share of renewable energy as at 1997. That was increased to a 12.5 per cent requirement. However, this has been changed to a flat 9 500 gigawatt hours of renewable energy by 2010 when compared with the levels of 1997. On present day forecasts, this will probably result in an increase in renewable generation of less than one per cent of total demand as at 2010 when compared with the 1997 level. Interestingly, the commonwealth government has imposed a certain requirement that must be met by various states around Australia. Under the commonwealth government legislation, Western Australia is required to develop 250 megawatt hours of renewable energy by 2010, and penalties will apply if those targets are not met. Failure to comply could see Western Australia pay millions of dollars to the commonwealth by way of penalty. Undoubtedly, these penalties have encouraged the state government to become more aware of opportunities presented by the use of energy derived from wind farms. Only last week I made reference to the 90-megawatt Walkaway wind farm and the 80-megawatt Emu Downs wind farm near Cervantes as contributing to the state's renewable energy targets. Interestingly, Hon Paul Llewellyn outlined last week that the state government had claimed certain certificates in respect of renewable power, and that the companies involved had also claimed credit for those certificates. Obviously, a system of double counting was involved. However, after some discussion during that motion in the Legislative Council last week, it became apparent that the way the government had promoted itself in encouraging the development of wind farms had caused the confusion in respect of entitlement to credit for energy certificates.

Perhaps the minister handling this bill could advise the house in due course of the Western Australian government's position on the introduction of state-based MRET legislation. The ALP renewable energy policy that was released prior to the 2005 election stated in part -

The Gallop Government will establish a renewable energy target of 6 per cent by 2010 for the South West Interconnected System

...

The Gallop Government will increase the proportion of renewable energy in the South West Interconnected System from the current level of around 1 per cent to 6 per cent by 2010.

...

The Government is in discussions with other States and Territories to consider a multi-State alternative to MRET should the Commonwealth not progress changes to MRET.

Again, that reinforces the six per cent target. The policy further stated -

The Gallop Government will seek to use this forum to develop a mechanism for implementing the 6 per cent target.

I would be interested if the government could in due course advise just how far down the track it has gotten to achieving its proposed six per cent target and whether any cost-benefit analysis of implementing a six per cent state MRET has been carried out.

When considering renewable energy, we should consider not just the economic cost. There is a very significant argument that penalties, economic or financial, should be imposed on the users of fossil fuel and that those penalties should be transferred by way of a credit to those who use or develop renewable energy as an incentive to try to balance the cost of renewable energy against the current cost of fossil fuels. A lot of work would be necessary to implement that proposition, but it is a proposition that is well recognised in Europe and the United States.

Some very significant targets for renewable energy have been set in some countries around the world. For instance, California, in the United States, has a target of 20 per cent for new renewables by 2017. In 2002, 12 per cent of its energy came from renewables; clearly that figure would have increased since then. The European Union has a renewable electricity target of approximately 22 per cent and a renewable energy target of 12 per cent by 2010. In 1999, 14 per cent of its electricity came from renewables. Six per cent of its total energy comes from renewables - although that figure goes back to 1997, it is often quoted as a base. Germany has mandated that by 2020, 20 per cent of its electricity be renewable and by 2050, 50 per cent of its energy be renewable. In 2002 the use of renewable electricity was approximately 6.8 per cent. At the moment, Japan has a target of 4 830 megawatts of renewable energy by 2010, and as at 2003 it had approximately 887 megawatts of renewable energy. The target in Latin America and the Caribbean is for renewables to comprise 10 per cent of total energy by 2010. An interesting place is Navarra, Spain, which will require 97 per cent of its electricity to come from renewables by 2005 - by the end of this year. By 2002 it had achieved 55 per cent. Thailand, sometimes referred to as a third world country, clearly recognises the benefits of renewable energy and has a renewable energy target of 21.2 per cent of total energy by 2011; in 2001 it was already up to 19.8 per cent. Some countries around the world have significant mandatory renewable energy targets. When we compare those targets with the target in the commonwealth legislation, which, in the terms I have described, is about two per cent, and with the six per cent MRET that the state government may decide to set for Western Australia, we see that we have a long way to go. I raise those figures for comparison so that members recognise that renewable energy is being used significantly in other places.

As I said earlier, this is the third opportunity I have had to speak in the second reading debate on this legislation. A number of benefits, as well as some potential disbenefits, are inherent in this bill, and it is up to the government to manage the new separated entities in an effective and efficient way so that the disaggregated, former vertically integrated, Western Power Corporation not only survives but also goes from strength to strength. I have been critical of senior management of Western Power, and I take nothing of that back, because I believe they have let the state down badly over a number of years. That goes for all governments; I am not singling out the Labor government. I spoke earlier about Western Power being used as a very convenient milch cow for the Treasury, but those decisions were agreed to by government to enable Treasury to raise the money that it required from time to time. The same argument can be made about the Water Corporation. I am hopeful that the four new entities that will comprise Western Power will go from success to success, because in due course we will need to focus on the operations and finances of the Water Corporation to see whether greater efficiency and effectiveness can be derived from that organisation.

Another small but important point is that following the blackout in February 2004 - a blackout that cost millions of dollars in lost production and caused many residents to lose the contents of their family fridges and freezers - Western Power introduced a customer reliability payment scheme from 1 July this year, whereby a household that suffers from a blackout can apply to Western Power and receive an \$80 rebate as a token gesture for the inconvenience caused. That is an important step forward, because it shows that Western Power is listening to the community. However, in due course we will need to amend the Electricity Industry Act 2004 so that some of the concessions that are available to Western Power are restricted. Those issues would then apply to all other producers of electricity. They are matters that we can deal with at a later stage. I will conclude my remarks by again emphasising that there are amendments on the supplementary notice paper that I will deal with during the committee stage.

HON BARRY HOUSE (South West) [4.09 pm]: I will be brief, but it is appropriate that the perspective of the country regions of Western Australia be heard in any discussion of the proposal to split Western Power into separate entities. As Hon George Cash has outlined, we all know the history of the legislation and the fact that the opposition will support the proposal to split Western Power. However, it is wise that we pause and note some of the reasons behind the decision to split Western Power and the development of some of the problems. It is fair to say that the jury is still out on whether this is the solution to the problem. The solution has been put forward by the government and the opposition will support it, but I do not think we are overwhelmingly convinced that it will deliver the goods. I stand here and say - as, I am sure, will other members - that I hope it will achieve that outcome. However, we should dwell on some recent experiences. We are all well aware of the infamous day of 18 February 2004 when there was a power meltdown. The only regret of members on this side of the house is that that incident did not repeat itself a year later, because it certainly would have made an interesting scenario one week out from a state election.

Hon Kim Chance: I had not thought of that!

Hon BARRY HOUSE: I would not wish a situation like that on Western Australia in any way, but it certainly would have provided a stark commentary on the government of the day. It would have been a very pointed experience of what had happened and would have raised a few questions in people's minds, such as how it could happen and why it happened.

The signs have been around for many years of a deteriorating power generation system, particularly in the power network. Western Australian governments have done a pretty good job on power pricing over the past couple of decades. I do not think that power pricing to consumers has been at all bad. The price has remained at a very reasonable level, but there have been some problems with the overall supply.

We have heard about the Tenterden fire and other fires in country regions that have been caused by pole-top fires as a result of the seriously degraded network in many areas. The tragedy at Tenterden resulted in a couple of deaths and subsequent charges against Western Power as a corporate citizen. Power has virtually been rationed throughout the state. There have been numerous blackouts, particularly in country regions. I know that blackouts are not exclusive to country regions and that some suburbs in the Perth metropolitan area regularly experience power blackouts, which is unacceptable. However, in country regions power blackouts are too frequent and often for very extended periods, which creates an enormous number of problems. The Donnybrook area, for instance, which is heavily reliant on cool rooms for the fruit industry, has a history of very frequent power blackouts, which often extend for one, two and even three days. That is absolutely unacceptable. The horticultural industry in that part of the world simply cannot operate properly and effectively under those circumstances.

Hon Kim Chance: Aquaculture also cannot afford to be out for even an hour.

Hon BARRY HOUSE: That is right. As a side issue, many areas have put unnecessary funds and resources into getting their own generators as backup, simply because the power is not reliable enough.

We all know about the problems with the supply of gas through the pipeline, and that has a history. I am sure that all members will agree that the pipeline was sold for a very good price by the state as the owner of that pipeline. The taxpayers of this state got a significant bonus out of that sale. Let us not forget that some of that bonus was put to very useful purposes. For instance, \$40 million was put towards upgrading some older high schools in Western Australia. I know that it took a while for that to happen, but they were pretty valuable funds to upgrade some of the high schools that were built in the 1950s and 1960s, which needed some money spent on them. The purchaser of the gas pipeline predicated his bid at the time on the anticipated price that the company would get for the gas. The regulator did not see eye to eye with the company on that situation and that affected its ability to put money into the necessary upgrading of the pipeline. Now that the pipeline has been resold, under different circumstances, we all hope that the upgrade can occur; otherwise, we will have the ridiculous situation such as that in Kemerton at the moment. A gas-fired power station has been built and it is open and

ready to roll, but there is no gas. That power station will operate - if it operates at all - on oil for, I understand, the rest of this year.

Collie has always occupied a central role in power generation in Western Australia. It is roughly in the middle of the south west electorate. Collie has ageing power generating infrastructure. Muja A and B are old plants. They are scheduled for closure in a year or so. Maybe there will be an extension of that time, but that is debateable. Quite simply, I put it to members that Collie has been duped by the Labor Party. Collie gets a better deal from coalition governments than it does from Labor governments. Labor governments promise the world to Collie but deliver nothing, and when it does deliver something, there is always a sting in the tail. A coalition government built the Coolangatta 300-megawatt power station. During the last election campaign we made a commitment to continue that generation process in Collie. Let us not forget that Collie coal is a valuable product. It is valuable in the sense that it is good only for burning for power generation. There are other higher grade forms of coal around the world, but Collie coal is a good product for power generation. However, the uses for Collie coal fall a bit short in comparison with those for better black coals around the world.

The Labor Party made no commitments during the election campaign. It hid behind the procurement process, which it said had not yet run its course. That was a political excuse for another review; it would be put to a committee and reviewed. Unfortunately, the Collie people bought it and remained loyal by and large to the Labor Party. However, since then, I would suggest that many of them might be reviewing their options. They might be looking at the realities of the situation and saying that they have been duded again by the Labor Party. They might say that they do get a better deal out of coalition governments. Since that time, the Coolangatta power plant has been extended by another 200 or 300 megawatts. That had to happen anyhow. I put it to members that it probably should have happened a couple of years ago, just to secure base-load power supply in Western Australia. There have been announcements linking Griffin Energy to proposals for salinity and cleaning up Wellington Dam, which are all good and well supported.

A few days after that announcement the king hit to Collie was delivered with the announcement that the base-load power station would be gas-fired. That announcement was delivered by a Labor government whose local member, Mick Murray, was overseas. Mick Murray is developing a reputation for being absent without leave when real decisions are made. Earlier this year he happened to be in Sydney when the vote was taken on the one vote, one value legislation. He has some personal problems with both those issues. I suggest that the Labor Party has not looked after Mick Murray too well and, therefore, Mick Murray should not feel that he has any particular obligation to the Labor Party. I know that his constituents will support him in that. I do not know what he will do politically, but the mood not only in Collie but also throughout the south west - particularly the Collie-Bunbury area - is not very receptive to the Labor government's handling of the situation. There are still no guarantees that the generation under the new arrangements will achieve better outcomes. I certainly hope that they do, as does every other member, but we are keeping our fingers crossed. I wish I could stand here and say that I am convinced. I am not totally convinced but I will support the legislation because something clearly must be done, mostly with the culture and the networks of Western Power. The networks throughout regional Western Australia are old and outdated and in need of large amounts of money for maintenance and upgrading. This situation has come about not merely as a result of a lack of resourcing by successive governments. We must also look at the culture within Western Power. I believe it has eliminated the will to look at alternative ways of doing things as well as they could be done. The culture within Western Power is still heavily reliant on the old system of poles and wires for the network. One can understand it, because Western Power employees were brought up in that industry and that is what they understand. Perhaps to this day they are not equipped to handle newer technologies of renewable power, particularly wind power. People from the north west might also apply the same argument to tidal power. I have argued before in this house the case for undergrounding power. The benefits of undergrounding power in urban residential areas are well known. Undergrounding power has been very successful in many parts of metropolitan Perth and country towns. It adds enormous amenity to areas and enormous reliability of power supplies, and it is very efficient. I believe that Western Power has developed a culture of costing the alternatives on a short-term time frame and has not always looked at the longer-term time frame. The amortisation of costs over a longer period of time will in almost all cases see good undergrounding outcomes deliver a better result. Certainly the costs up front may be a little more expensive, although not always, but undergrounding provides far better results for costs and reliability outcomes.

I have spoken before in this place about modern techniques of undergrounding power for distribution lines; albeit transmission lines do not lend themselves to it. Distribution lines can be undergrounded at a very competitive rate when compared with poles and wires. Contractors in some cases have outlaid a lot of capital on modern ploughs that dig the trench and lay the cable in one operation. They are feeling alienated as a result of some of their dealings with Western Power. They do not feel that assessments of their costings are done on an even basis. They feel that they are obstructed in other ways. For example, Western Power technicians must approve their trenches and fillings before they can fill the trenches in and carry on. There is a continuous operation. They are sometimes forced to delay by up to three days waiting for Western Power personnel to come

and give them a tick. They are accredited contractors and there is really no reason that they should not take that responsibility on themselves. All the fault does not lie with Western Power. Over the years Western Power resources in country areas have been reduced. Sometimes Western Power resources are heavily centralised or regionalised in Western Australia. Technicians must travel vast distances just to inspect and tick off a fitting on an underground installation. My argument is that it could be done much more effectively, as a result of which the technical costs of undergrounding could come down even further.

Some of the other issues of networking energy throughout country regions relate to other issues like powerlines and their impact on landowners and the areas that they traverse. I hope that this legislation will deliver instrumentalities that will give a better result. As a result of increased development, particularly in the south west, need and demand for power have increased. Major transmission lines have been extended through parts of the built-up south west. Heated controversy has surrounded the extension of transmission lines near Pinjar. Certainly in recent years, heated discussion has taken place about the transmission line built from Picton to Busselton to service that corner of the south west. Those debates have centred around the situation that has arisen in which Western Power is either not allowed to use public land or has become too timid to use it for its transmission lines. In the Waterloo-Busselton situation, a disused railway easement covered most of the route. When a rare plant was supposedly discovered in one small section of that disused railway reserve, it was quite ridiculous that, at the first opportunity, Western Power threw up its hands and said that it was all too hard and that it could not go anywhere near that public access route.

Debate interrupted, pursuant to standing orders.

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