

ELECTRICITY REFORMS, RURAL AND REGIONAL AREAS

528. Mr M.G. House to the Minister for Energy

I refer to the final report from the Electricity Reform Taskforce, released on 14 October 2002 and ask -

- (a) if an ultimate goal of electricity reform in Western Australia is to encourage competition, what benefits will there be for those customers in rural and regional Western Australia whose electricity will not be vertically disaggregated under the new system;
- (b) with regard to the anticipated 8.5 per cent decrease in electricity prices, will the Minister advise -
  - (i) how this figure was calculated; and
  - (ii) will the full 8.5 per cent decrease apply to rural and regional electricity customers under the Regional Power Corporation;
- (c) will the Minister advise how the Regional Power Corporation will go about solving the current power outages faced by rural and regional electricity customers in the North West Interconnected Systems and non-interconnected systems; and
- (d) will the Minister indicate how many of the 3900 additional jobs to be created as a result of electricity reforms will be in rural and regional Western Australia?

Mr E.S. RIPPER replied:

- (a) The Electricity Reform Task Force concluded that the differing scale of operations and financial environment in the North West Interconnected System and Western Power's non-interconnected systems means that vertical disaggregation is not an appropriate strategy for these systems. This conclusion was supported by stakeholder submissions to the Electricity Reform Task Force. The Task Force considers that the most immediate economies achievable within the North West Interconnected System and non-interconnected systems lie in the competitive procurement of energy supplies. Regional residential and small business customers will pay no more for their electricity than permitted by Government through the uniform tariff. The uniform tariff will be the same in the non-interconnected systems as for the North West Interconnected System and the South West Interconnected System.
- (b)
  - (i) The report to the Electricity Reform Task Force by The Allen Consulting Group, which can be found on the Task Force's web site, provides details on the method of calculation.
  - (ii) The 8.5% average retail price reduction calculated relates to the South West Interconnected System.

The uniform tariff will be a cap on tariffs. This will protect the customers for whom the cost of supply is high in the North West Interconnected System and non-interconnected systems. It will also present opportunities for reductions in prices to most customers, including regional customers in the SWIS.

- (c) It is envisaged that as part of the proposed electricity licensing arrangements, that the Regional Power Corporation will have an obligation to ensure it has sufficient generation supply to maintain reliability at the most efficient cost. In addition, Regional Power Corporation and State Networks will be subject to technical and safety regulations to ensure adequate reliability, quality, security and safety of supply in regional areas. Adoption of an integrated approach by participants to the development of the North West Integrated System has the potential to reduce over-investment in generation plant and improve the reliability of the system. Moreover, integrated development would maximise the benefits for users and the State, and lead to more efficient electricity supply solutions. Creation of a separate Regional Authority will also remove the difficulty of this business unit having to compete with SWIS Generation Business Unit for funds.
- (d) The reform of the electricity industry is expected to create an additional 3900 jobs in Western Australia. Of these, 1140 or 30% relate to employment in rural and regional areas. Moreover, the modelling undertaken on behalf of the Electricity Reform Task Force indicated that the recommended reforms would have a positive effect on employment in all areas of the State.

It should be noted that the model used to estimate the impacts on the State economy only accounts for expansions in existing industries in response to lower electricity prices and does

not account for the emergence of new industry. Anecdotal evidence indicates that a number of energy intensive projects, which would have been located outside of the Perth metropolitan area, may have been lost to Western Australia because electricity prices are not internationally competitive. Such projects have the potential to provide a significant boost to employment in rural and regional areas.