ELECTRICITY INDUSTRY BILL 2003

Consideration in Detail

Resumed from an earlier stage of the sitting.

Clause 12: Regulations as to licence terms and conditions -

Debate was interrupted after the clause had been partly considered.

Mr R.N. SWEETMAN: The minister will recall that the point I was making earlier was not about cross-subsidisation from the rest of Western Power's operations being identified against the loss-making regional power unit. I am talking about what is an understanding or belief of tariff customers generally, residential customers within industry, private power suppliers and potential power suppliers, that they are being cross-subsidised. These energy reforms are very significant. They give industry the opportunity to be able ultimately to corral the loss-making sections of Western Power, albeit in a disaggregated form. Those losses will be more clearly identified. They would say that is part of the competition process and that it is about delivering to industry efficiency and the maximum amount of savings possible. That is a convoluted and probably incompetent way of saying that, at the end of the day, the tariff customers will be left to pick up a substantial bill. I cannot see a scenario whereby Treasury will prop up the loss-making sections of the south west interconnected system, for example, if an alternative is to simply increase the tariff. The belief in industry is that the residential tariff, in particular, is cross-subsidised because a lot of installed capacity is needed to supply customers who are classified as being intermittent.

As I said in the second reading debate, typically, the residential customer turns on all his appliances when he gets up in the morning; he then goes to work or drops the kids off for school and the demand for power diminishes. When he gets home from work, he turns on all the appliances and demand for electricity goes through the roof. That is an erratic, inconsistent, low profile against the consumers. The industry is saying it is being cross-subsidised because it has a lot of installed capacity for customers who take two bites of the cherry in a 24-hour period. What the industry wants - and, effectively, the industry in South Australia has won this argument against the Essential Services Commission - is to get some recognition that the residential customer - the small franchised customer - is being cross-subsidised. That is why, exponentially, the small residential customers in South Australia have been disadvantaged. Prices there have risen by 25 per cent and now it looks like the prices will rise again. Although the minister does not want to compare the two jurisdictions, he must acknowledge that there are some similarities between the residential customers. They will be affected disproportionately, particularly if the losses continue to be around $200 million, as they are in the south west interconnected system. We will be stuck with that forever. There is no way industry will willingly take off our hands those loss-making sections. The fact that industry will not do that means that the Government will have to continue to underwrite the losses generated in those areas. Currently, those losses are spread across the entire division. Eventually, they will be isolated to where the losses occur and that will apply upward pressure on residential tariffs.

Mr E.S. RIPPER: It is hard to see how what the member said relates to clause 12. I must reassure people that the need to provide the uniform tariff in the south west grid is affected by a transmission charge. Therefore, that cross-subsidy is borne by all users of the network, as is the subsidy for the uniform tariff in the non-interconnected systems, where, rather than a cross-subsidy inside networks, the networks pay into a tariff equalisation fund, and then a payment is made to the Regional Power Corporation. In other words, all users of the monopoly network will support the uniform tariff. Private or state-owned networks cannot get their power to market unless they go through the network. Unlike the present arrangements, all participants in the industry will contribute to the maintenance of the uniform tariff.

Mr J.H.D. DAY: The minister has raised the issue of the transmission charge. What is that currently in the south west interconnected system? What proportion of that will go to the tariff equalisation fund when it is established?

Mr E.S. RIPPER: That is a matter of internal Western Power financial information. Advisers from Western Power are not present, so I am not able to answer that. However, these financial transfers already occur within the accounts of Western Power and they will occur in the future, but in a more transparent way.

The ACTING SPEAKER (Mr A.P. O'Gorman): We are currently dealing with clause 12. I remind members to ask questions specific to clause 12.

Clause put and passed.

Clauses 13 to 25 put and passed

Clause 26: Regulations may authorise an exclusive licence -

Mr R.N. SWEETMAN: I will take a brief opportunity to refer to the explanatory memorandum, which states -

> This clause empowers the Governor (on the recommendation of the Minister) to make regulations designating one or more areas as an area for which an exclusive licence may be granted for a specified period (not exceeding 10 years). If two or more areas are designated, those areas need not be contiguous.

I refer to regional power when the new system is set up and I will wind my way to another point I made in the second reading debate. If the need for this legislation is genuinely about competition, when and how will Western Power be allowed back into the competitive process? I want the minister to dismiss from the argument that it might affect the State's AAA credit rating because more money will have to be borrowed to provide more generating capacity. There is debt and there is debt. A previous minister in the former Labor Government, Hon Julian Grill, used to say that debt is not that bad in itself; the significant issue is the capacity to repay that debt. I know that Standard and Poor's (Australia) Pty Ltd and Moody's do not have a good enough formula for classifying debt.

Mr E.S. Ripper: That is what the AAA is about. It is about having the capacity to meet the obligation.

Mr R.N. SWEETMAN: It is debt to revenue to a large extent. For example, a debt can be incurred to provide a community service such as the provision of public transport or whatever. Western Power carries significant debt, but at least it meets those debt obligations and returns the dividends back to Treasury. An example of what I am talking about with regard to exclusive licences is similar to the scenario for the Murchison power procurement. I was fortunate to attend a meeting of the Cue council last Friday. Western Power and StateWest Power Pty Ltd opened a new power station at Cue. As I understand it, Western Power never bid as part of that power procurement process in which StateWest Power won the right to build a gas-fired power station at Mt Magnet and five diesel-fired power stations at Meekatharra, Cue, Yalgoo, Wiluna and Sandstone so that it could, in its words, place modern, efficient, reliable generating plants in those communities. The minister, in opening the plant at Cue, highlighted the fact that there would be a saving of 15 per cent per annum. By going out to tender through the power procurement process that would equate in dollars to a saving of $1 million. However, a simple change to the configuration of gensets has delivered more savings than that. The estimated saving in diesel fuel alone is 1.5 million litres per annum. That to me exceeds considerably the saving in dollars per annum. The private generator is supplying power cheaper than Western Power could through its old generating plant because it has more efficient power plants. Separate to that issue, whereas Western Power employed six to 10 people all up in those remote communities, it is now employing no-one. It is fully hooked up through telemetry back to Canning Vale and the performance of the power stations is monitored remotely from the city. There is absolutely no-one on site. To my mind, that is a saving of pretty close to another $0.8 million. Why, for goodness sake, could Western Power not have bid on supplying its own power requirements out in that area? To my mind, if we allowed Western Power to bid on the same basis, applying the principle of competitive neutrality and accepting the same components in the Western Power tender as StateWest Power accepted, which would have allowed someone to operate those power stations remotely from Perth, then Western Power, I am sure, could have realised greater savings than are being delivered to us through StateWest Power. StateWest Power has the right to do that for 10 years. I ask the minister whether he could inquire about the price of setting up those plants. When he asked the chap from StateWest Power, Steve Price, what the tender figure was, he said it was privileged and in confidence. I said to the minister that that was probably code for saying that it paid far too much. With those two formulae for the savings in fuel and wages, if industry has been able to deliver a saving of 15 per cent to us, I am sure Western Power would have achieved a saving of between 25 and 30 per cent.

Mr E.S. RIPPER: Clause 26 should be read in conjunction with clause 27, which sets out the conditions under which an exclusive licence will be granted. There is nothing in the legislation to prevent a regional power corporation - or for that matter state generation - from tendering for an exclusive licence, were such a process to be instituted in a particular area.

Mr R.N. Sweetman: So, it would not require a change to the current legislation, which actually excludes Western Power from a lot of these procurement processes?

Mr E.S. RIPPER: This legislation will replace the existing legislation. This is the legislation that will apply, together with the other Bills, as part of the package. I do not believe there is anything in the legislation to stop a regional power corporation or state generation from putting in a tender, should the Government decide that a particular area will be put up for tender with an exclusive licence.

With regard to the power procurement process that operated in the mid west, when we came to government we inherited a regional power procurement process and we have continued with it. However, that process has now come to an end. That process will end when the power stations are built in the west Kimberley and Exmouth. The issue will be examined afresh the next time there is a need to do something in regional areas.

Clause put and passed.

Clauses 27 to 29 put and passed.

Clause 30: Trade practices authorisation -

Mr J.H.D. DAY: The clause refers to the Trade Practices Act 1974. I guess that opens up the role of the Australian Competition and Consumer Commission and the competition code, as referred to in the Bill. What impact does the minister believe the Trade Practices Act 1974 will have on the electricity industry in Western Australia, and what role does he expect the ACCC will play in that respect?

Mr E.S. RIPPER: This provision is identical to the provision in the gas legislation for an exclusive licence for the provision of gas. It will enable us to avoid problems with the ACCC should we decide, in accordance with legislation, to go through a tender process and offer an exclusive licence as an outcome of that process.

Clause put and passed.

Clause 31: Interruption of supply -

Mr J.H.D. DAY: I am interested to know in which circumstances this clause will operate. The clause states -

> A licensee may interrupt, suspend or restrict the supply of electricity provided by the licensee . . .

It goes on to refer to the licensee's opinion and so on and there are other provisions that on first observation are a little complex. Will the minister explain the circumstances in which the clause will operate?

Mr E.S. RIPPER: Western Power has similar powers under its governing legislation. This clause will extend those powers to other participants in the reformed electricity supply industry. There is obviously a need for emergency powers in a system with the characteristics of the electricity supply industry.

Clause put and passed.

Clause 32: Failure to comply with licence -

Mr J.H.D. DAY: Similarly with the previous clause, will the minister explain how the clause will operate and in what circumstances it is contemplated that there may be a failure to comply with the licence?

Mr E.S. RIPPER: In my opinion, the clause is relatively clear. It sets out a procedure whereby if the authority thinks the licensee has contravened the licence or a condition of the licence, the licensee can be served a notice requiring it to rectify the contravention within a specified period. If there is a failure to comply with that notice, there can be a reprimand or a monetary penalty of up to $100 000, or the authority may rectify the problem, if that is appropriate, and recover the costs of undertaking that action. The ultimate sanction is in clause 35, which provides that if there is a failure to comply that is material to the operation of the licence as a whole, the licence can be cancelled. I think the framework is pretty robust. However, members can imagine the difficulty that might arise if the authority wanted to cancel the licence of the operator of the south west interconnected grid. Given that the operator of the south west interconnected grid would be a government-owned trading enterprise, I expect that a government-owned trading enterprise would, by virtue of its government ownership, comply with the law.

Clause put and passed.

Clauses 33 and 34 put and passed.

Clause 35: Cancellation of licence -

Mr J.H.D. DAY: This is a fairly important clause. It contains some detail about the circumstances in which the licence of an operator would be cancelled. I would like a further explanation from the minister - more than is contained in the clause - about the circumstances in which he believes it would be appropriate for a licence to be cancelled, whether it be for financial or safety reasons or for some other issues.

Mr E.S. RIPPER: The policing of licence conditions will be done by the Economic Regulation Authority under clause 32. Only when the ultimate sanction is reached - cancellation of the licence - will it be done by the Governor; that is, on the recommendation of the minister. Obviously, it would need to be a pretty serious failure for a licensee to lose its licence. I am thinking on my feet, but if a generator simply ceased to generate electricity, the licensee may face cancellation of its licence. Another example is a generator that is run in such a technically incompetent fashion that it threatens the stability of the network to which it is connected and causes problems for the network or for other generators. In those circumstances, if the generator did not comply with its licence conditions on a technical basis, it is possible that its licence could be cancelled. Licence cancellation would be infrequent, because it is expected that, in the first place, licences would be given only to those participants who are capable of running energy installations in a competent manner.

Mr J.H.D. DAY: Can the minister give any examples in which licences have been cancelled in other States of Australia or in overseas jurisdictions?

Mr E.S. RIPPER: My advisers and I are not aware of any licence cancellations in Australia. Licence cancellation is very much a last resort, but this sort of power is required to ensure that people have respect for the licensing framework and the regulatory system in which they participate.

Clause put and passed.

Clauses 36 to 38 put and passed.

Clause 39: Authority may issue codes -

Mr J.H.D. DAY: I presume the codes that may be issued are codes of conduct or codes of practice. What is contemplated? Has work already commenced on the preparation of the codes as provided for in this clause; and, if so, what will those codes cover? When is it expected that the completion of those codes, if they are in preparation, will occur?

Mr E.S. RIPPER: These codes are to be prepared by the Economic Regulation Authority. The Economic Regulation Authority is not yet established, although we are just one parliamentary step away from approving that legislation. In fact, I want to have some discussions with the Leader of the Opposition and his office about how much debate we might have on the message from the upper House and whether we can deal with that matter in a relatively short period, and perhaps even today. However, that is entirely dependent on the advice I receive from the Leader of the Opposition and his office. The ERA is not yet established, so the authority is not there to work on the codes. Some work on the customer transfer code will start early next year. Other codes are not subject to this particular clause; for example, the electricity reform implementation unit will work on the code for access to the transmission and distribution system.

Mr C.J. BARNETT: There is increasing research into and application of the use of electricity infrastructure for telecommunications purposes. In its most simple form, that involves simply stringing another cable along a powerline or between power poles. More sophisticated constructions involve using the powerline itself. Will the authority also have power to issue codes about the joint use of electricity wire for telecommunications purposes? If so, how will that relate to federal telecommunications legislation?

Mr E.S. RIPPER: The Leader of the Opposition raises an interesting question. This city has not been well served by telecommunications providers in the provision of broadband infrastructure, and regional areas have their own, even more serious, issues with lack of access to telecommunications infrastructure. I think that Western Australia is economically disadvantaged by the lack of access to this sort of infrastructure. Telecommunications infrastructure can be installed in conjunction with electricity infrastructure. For example, as part of the underground power project, Western Power is installing conduits that will take fibre-optic cable for a telecommunications service, and a pilot service is operating in South Perth. In addition, it is possible to string telecommunications cable along the overhead powerline system. That work is being trialled in East Victoria Park. There may be some issues with public acceptability and the impact upon the amenity; however, I have seen pictures of what is proposed, and it does not look too bad to me, particularly in light of the benefit that broadband infrastructure can give. There would be a potentially very interesting constitutional issue if a state authority tried to make regulations for telecommunications, which is an area of commonwealth responsibility. We are not intending to intrude on the commonwealth area. If it becomes technically and commercially feasible to use powerlines for telecommunications or data transfer, which I know some people are investigating, a very interesting constitutional issue about who has the right to regulate that will develop.

Mr C.J. BARNETT: The communications technology is probably not as visually offensive as it was in the mid 1990s. I was unaware of the project in East Victoria Park. The issue arose about 1993 or 1994 when a company sought to use the federal telecommunications law to place communications cables on Western Power's power pole system. I refused to allow that because the cables were very visually offensive. That technology may well have improved, but we need to be very careful to ensure that it is the State and not some federal bureaucrat that administers the powerline system. The minister must be very firm that the use of powerlines is to be a state minister's decision and not a federal one. In my case, the federal bureaucracy backed off.

Mr E.S. RIPPER: That is wise advice from the Leader of the Opposition. We certainly do not want to surrender any power -

Mr C.J. Barnett: If it is unobtrusive, it is a different matter. What was proposed in the 1990s were big boxes and thick wires hanging from every cable. That was at a time when we were trying to put our powerlines underground. It was offensive.

Mr E.S. RIPPER: As the minister, I agreed that Western Power should trial this in East Victoria Park. Of course, that is in the electorate of the Premier and, as the local member, he was consulted. It will be interesting to see the public reaction. So far I have had no complaint. That might be because the technology has moved on and the wires are not as ugly as when the Leader of the Opposition had to make the decision.

Clause put and passed.

Clause 40 put and passed.

Clause 41: Taking of interest or easement for purposes of licence -

Mr J.H.D. DAY: This clause refers to the resumption of land for the establishment of electricity infrastructure. Can the minister assure us that appropriate compensation will be paid in all cases? Also, how does he expect any issues of concern about aesthetic or other impact on land users will be dealt with? Communities are sometimes very concerned about the visual impact of high-voltage powerlines in particular.

Mr J.L. Bradshaw: And adequate compensation.

Mr J.H.D. DAY: As I mentioned, and as the member for Murray-Wellington has interjected, we certainly want to ensure that adequate compensation is paid. That is one aspect.

How does the minister think that conflicts such as the concerns communities may have about the visual impact of powerlines, in particular high-voltage powerlines, will be dealt with? When I was at school in 1971 or 1972 there was a major public debate about the construction of the 330-kilovolt powerline that goes from Muja or Kwinana to the Malaga area. It skirts the eastern part of the metropolitan area and goes through a large part of my electorate.

Mr E.S. Ripper: I remember that debate myself.

Mr J.H.D. DAY: There was a large debate in the Helena Valley and Guildford areas about the impact of that 330-kilovolt powerline. There was a lot of opposition to it and a great deal of community concern. How does the minister envisage those issues being dealt with?

Mr J.L. BRADSHAW: This easement business is very important to me and my electorate. As the minister knows, earlier this year I introduced a private member's Bill to clarify the situation regarding the valuation of easements through private property. At the time, the minister made a commitment to investigate the legal advice I had received from Mr Ken Pettit, SC that Western Power had to consider the whole property rather than the easement when calculating compensation. That legal advice was backed up by advice from Mr Quinlan. Those senior counsel gave legal advice that indicated that Western Power has to take into account the whole property when it assesses the value of compensation for easements for high-voltage powerlines through property. I would like to know whether the minister received that advice; and, if so, whether it confirmed or conflicted with the legal advice I received. The minister has not yet come back to me with that advice. I thought about it recently, and I had planned to drag out the *Hansard* and ask some questions in Parliament. However, we have an opportunity now.

I am not sure the minister is listening to what I am saying about valuations. He obviously is not. I would like an answer to my question. Does the minister want me to go through it again?

Mr E.S. Ripper: I am getting advice as the member speaks.

Mr J.L. BRADSHAW: On what I have asked?

Mr E.S. Ripper: Perhaps the member would repeat the question so that I can be sure that I understand it.

Mr J.L. BRADSHAW: When I introduced my private member's Bill to clarify the situation under which Western Power assesses compensation for powerlines that go through private property, I received advice from Mr Ken Pettit, SC that indicated that Western Power has an obligation to consider the value of the whole property as against the easement. That advice was backed up by Mr Quinlan, who followed up the matter as a parliamentary draftsperson, and he drafted some legislation to clarify the situation. At the time, the minister indicated that he would find out whether my advice from those two legal minds was correct. I am asking whether they were right, or whether the minister's legal advice contradicts what they said. It is interesting that both of those senior counsel said the same thing. As I have said, the minister in his speech - I can pull it out of *Hansard* if the minister really wants to look at it - said some very interesting things about how people in the country should pay, or suffer, so that people in the city can get power.

Mr E.S. Ripper: I do not think I said that.

Mr J.L. BRADSHAW: The minister did say that. The minister should read what he said. The minister said he did not believe they should get adequate compensation. I can guarantee that that is what the minister said - not necessarily in those words, but that is what he implied.

Mr E.S. Ripper: That is not what I said, then.

Mr J.L. BRADSHAW: The minister should read what he said. The minister also indicated that he would get advice as to whether what I was putting to the Parliament about what Mr Ken Pettit, SC and Mr Quinlan had said was correct.

Mr E.S. RIPPER: We Treasurers cop a rough deal at times! I was at an event last night at which a comedian was attacking Peter Costello, but he also got on to Treasurers generally, and I was worried that he was going to get to me. He said that Treasurers are so mean that if they were giving us the measles they would give it to us one spot at a time. That is not the approach that I take to this issue. In fact, clause 41 is an enhancement of people's rights. The issue in this clause is that the minister may in effect require a licensee to take an interest in land, either by agreement or under the Land Administration Act; and if the licensee takes that interest in land, the licensee shall pay. I think that is an advance on the position under which certain lines can just run across a property without even an easement being acquired, which is my understanding of what can happen under the Energy Operators (Powers) Act. The advice available to me is that this clause will enhance the position of landowners subject to electrical infrastructure being run across their property. I apologise that we have not come back to the member on the question of the legal opinions. Arising out of this debate, I will ensure that the Office of Energy examines that matter, and we will write to the member.

Mr J.L. Bradshaw: It was in *Hansard* last year.

Mr E.S. RIPPER: We should have responded to the member by now.

Mr J.L. Bradshaw: You are right about that.

Mr E.S. RIPPER: It is a bit of a tragedy if my own staff are not reading what I say in *Hansard*!

Clause put and passed.

Clauses 42 and 43 put and passed.

Clause 44: Easements in gross -

Mr J.H.D. DAY: This clause seems to contain a fair amount of legal jargon - perhaps that is overstating it slightly. However, I would like some explanation from the minister about what is, no doubt, a very important clause within this legislation, around which everything else may turn.

Mr E.S. RIPPER: It is unlike the member for Darling Range to engage in this form of sport! How am I supposed to explain a clause like this? I will turn to my trusty advisers. The explanatory memorandum states that this clause provides for the grant of an easement over land even though there is no dominant tenement. Another easement or the benefit of a restriction as to the user of the land may also be annexed to such an easement in gross. I am not an expert on land legislation, so I am having some difficulty explaining exactly what this clause is designed to achieve. If the member is really interested, I will give him an explanation at a later stage, but I can tell the member that he has already supported a similar clause in the gas legislation.

Mr J.H.D. Day: I had to go through oral examinations to get through the Dental School at the University of Western Australia, and other forms of examination that perhaps the minister did not have to go through for his arts degree or Diploma of Teaching, or whatever it was.

Mr E.S. RIPPER: I have had oral examinations at the hands of dentists, and I do not want to repeat the experience!

Clause put and passed.

Clause 45: Extension of certain provisions of *Energy Operators (Powers) Act 1979* -

Mr J.H.D. DAY: This clause appears to be more significant than clause 44 in reality. I would like from the minister an explanation of how this clause will work and in what circumstances it will apply.

Mr E.S. RIPPER: The Energy Operators (Powers) Act 1979 is written for a state-owned electricity authority. It gives powers to a state-owned electricity authority that we would not necessarily want to extend to private sector operators, because they are not regulated by the Parliament, the Ombudsman and all the other accountability provisions that apply to the public sector. Nevertheless, those private sector energy operators will need some of those powers. Therefore, what is proposed in this clause is a way of giving them some, but not all, of the powers that are available under the Energy Operators (Powers) Act. The transfer-of-power mechanism will be

regulations. Regulations are, of course, disallowable in the Parliament. This is foreshadowing that matters will be before the Parliament for the transfer of some of the powers under the Energy Operators (Powers) Act to the private sector participants in the market, and the Parliament at a later stage will have the ability to disallow those regulations if the Parliament thinks that too much power, or too little power, is being given to the private sector participants in the market.

Clause put and passed.

Clause 46 put and passed.

Clause 47: Terms used in this Part -

Mr J.H.D. DAY: This would appear to me to raise the issue of the contestability levels of electricity supplies, and full retail contestability in particular. Looking ahead to clause 48, it refers to regulations as to supply contracts. It appears to refer to customers potentially choosing an alternative electricity retailer. The whole issue of full retail contestability is something we can discuss and debate a little more next week, but there are major concerns about the viability of it in Western Australia at this stage and whether there would really be any benefit at all to smaller and domestic consumers in particular. I would like some explanation of how the minister sees the issue of contestability being further developed, in particular, full retail contestability. Does he see it coming into operation in the short, medium or long term? What intentions and expectations does he have?

Mr E.S. RIPPER: I have changed my mind on this in at least one respect. In the pre-election policy I outlined a target of full retail contestability by July 2005. When the Electricity Reform Task Force made its deliberations, the recommendation to the Government was to delay a decision on full retail contestability until a competitive electricity market had been established and all the other reforms bedded down. This legislation therefore does not provide for full retail contestability. The matter of full retail contestability is available for the Government of the day to consider and make a decision about - I imagine in 2007 for possible introduction in 2008.

I note that some interesting issues surround full retail contestability. It requires significant investment in information technology. The experience in other places is that it has resulted in relatively few customers transferring between retailers. The question must be asked, therefore, whether the investment in the infrastructure required for full retail contestability is justified by the benefits that would accrue to customers. That argument has been answered in two different ways by two different Labor Governments. In Queensland the answer was not to have full retail contestability; in New South Wales the answer was to invest and to have full retail contestability. Assuming that the Labor Government is returned in 2005, the issue will be reconsidered in approximately 2007. I have a completely open mind on the issue. I will make a judgment about the trade-off between costs and benefits at the time.

Mr J.H.D. DAY: Is the minister saying that the legislation does not provide for full retail contestability and that further amendments would be needed or is he saying that it will not necessarily occur as a result of this legislation?

Mr E.S. RIPPER: I am advised that this legislation does not give us the power for the establishment of retail market rules that would be required for full retail contestability. Therefore, it would be necessary to amend this legislation should the Government make a decision for full retail contestability because the authority for the establishment of the relevant market rules would need to be established. I might have some further discussion with my advisers to get a more comprehensive answer to the question. Because the Government has made a well-announced policy decision not to introduce full retail contestability but to delay a decision on that matter until 2007, the way we would do it has not occupied my mind.

Mr J.H.D. DAY: I find that response quite surprising. Given that the Government wants to set up a competitive market for electricity in this State, I thought it would have provided for the possibility - I emphasise possibility because I do not think it is a practical reality in the foreseeable future - of full retail contestability being put in place. I say that not because I believe it should be put into effect but, given that it appears to be the Government's clear philosophy to have a competitive market in Western Australia, I really find it quite surprising that there is no ability in its legislation to implement a fully competitive market. If there is no provision for full retail contestability in this legislation, down to what level will the legislation provide for full retail contestability?

Mr E.S. RIPPER: We cannot fully explore this issue until I have the opportunity to talk outside the House with my advisers. Perhaps I could then give the member a more comprehensive answer. Like the member, I would have thought that the framework would permit us to go to full retail contestability, but I want to be frank with people about whether Parliament gets an opportunity to have a say on that or whether it is a government decision only. I am trying to chase that rabbit down its burrow, and we will do that later in the debate.

Mr J.H.D. DAY: I would appreciate the information when it is available. I find it surprising that the issue has arisen in this way, because I would have thought that it was absolutely fundamental to this legislation that it would have provided for such a situation.

Mr C.J. BARNETT: Given that full retail contestability will not apply to the household level, with which I happen to agree because I think it would be premature, how will the benefits of so-called competition deliver lower prices to householders?

Mr E.S. RIPPER: As the industry becomes more efficient due to competition, it will be possible for the regulator tariff to be reduced in real terms. That is exactly the mechanism. If a separate state retailer is not required to make all its purchases from the state generator -

Mr C.J. Barnett: It is not required to do so now. Western Power can buy its electricity independently even now from time to time.

Mr E.S. RIPPER: Yes, but the integrated nature of the utility does not give other people confidence that they can get into that particular market. That is the problem.

Mr C.J. Barnett: If there is no contestability, they cannot get into the market by definition. It would be unlawful to compete at the household level.

Mr E.S. RIPPER: However, if there is a separate retailer, other generators will be able to sell to that retailer. In the transition period there will be a vesting contract between the state generation entity and the state retail entity covering the needs of the franchise customers. That will be a transitional measure as we move towards the establishment of the competitive market.

Mr C.J. BARNETT: This is the whole crux of the issue. We talk about competition bringing lower prices. Competition can bring lower prices, but only to those customers who find themselves in a competitive situation. By definition, because contestability will not apply to the household level in the foreseeable future, householders will have no option. They will be able to buy only from Western Power. There will be no competition at their level. If disaggregation of generation from retail takes place through vesting contracts, as we have just heard, Western Power, as the retailer, will be required to buy from the state-owned utility. In turn, the state-owned utility will have take or pay gas and coal contracts and ageing coal plant. The electricity consumer - the householder - by that tortuous process will essentially be locked in by contract to high fuel prices and ageing plant. In other words, the household consumer will be locked into the most inefficient part of the electricity generation industry, and will therefore be locked into higher prices than the rest of the market might otherwise enjoy.

Mr E.S. RIPPER: Only last Sunday, the Premier opened a modern power station - one of only three in the country that are combined cycle gas-fired stations. Therefore, a very modern power station is on the system, albeit there are some of those small, ageing plants to which the Leader of the Opposition referred. The Government will set the tariff for the franchise customers, having received public advice from the Economic Regulation Authority. As the industry is exposed to competition, the industry's performance can be expected to improve, and the Government has the capacity and the desire to pass on that improvement to the franchise customers through decisions on the regulated tariff.

Mr C.J. BARNETT: The construction of the new combined cycle gas plant at Cockburn was a good decision. It was a decision of the previous Government that was followed through by this one. It is good. That will reduce the average cost of generation. However, that decision and that benefit have absolutely nothing to do with competition. It is a result of addressing the problem of old and less-efficient generation. Competition does not lower the price. The investment in the new plant and a lower thermal cost of fuel in the form of gas lower the cost of generation. The benefit comes from investment, not from competition.

Mr E.S. RIPPER: The investment is, in part, a response to the looming threat of competition. Why is Western Power driving so hard for lower fuel prices and for improved technology? It is facing the threat of competition one way or another, and it is responding to that threat.

Mr C.J. BARNETT: It does face the threat of competition. Indeed, since the process of lowering contestability levels started in 1997, I think, that has been the fact. Progressively, it is being exposed to competition, but only in the industrial market. Competition will play a role, but the major role will be in the form of, hopefully, negotiated lower fuel prices and more efficient generating plant. Competition, on top of that, will provide a layer of benefit, but only where the market is contestable. There is not a contestable market for householders, so they will not benefit from any competitive force. I am not saying that householders cannot benefit from an improving electricity industry, but the point is that they cannot benefit from competition until such time as they have choice and contestability. The minister is now saying that they will not have that, which may be the right decision for

different reasons. However, the minister cannot pretend to the public that householders will gain benefits from competition, because this Bill prevents competition for householders until 2008 or thereafter.

Mr E.S. RIPPER: I believe the Leader of the Opposition wants to have it both ways. Competition within the electricity supply industry will improve the performance of the industry. That improved performance of the industry will also be available to franchise customers, and the Government has the capacity, on the advice of the Economic Regulation Authority - not having to take that advice but after receiving that advice, and that advice being public - to make a decision to change the regulated tariff to pass on that benefit to the franchise customers.

The other question is the eventual introduction of full retail contestability. I would like to see full retail contestability and franchise customers having the benefits of choice of supplier. However, first of all we will get this tranche of reforms bedded down and operating successfully. Then we will make a decision about how that matter should be progressed. At that time we will make a decision about the extent to which franchise customers have benefited from the reforms to date and the level of investment required for full retail contestability by 2007 - some of the information technology costs may well have changed. We will then make a decision about what is in the best interests of franchise customers.

Mr C.J. BARNETT: Given the advances in fuel cell technology, which has now been tried on a mass scale, certainly in Japan, and the prospect, therefore, that a gas supplier - say, AlintaGas - could supply electricity through domestically based fuel cells, would that be contestability at the household level and would it be allowed under this legislation?

Mr E.S. RIPPER: I would be surprised if we had domestic fuel cells generating electricity on a commercial basis before 2007. However, the Leader of the Opposition raised an interesting point. It is at least possible that some time in the future the current advantages of large power plants and transmission and distribution lines to deliver electricity more economically than small-scale power plants will be reversed. It is possible, at least technically, that that could happen in the future. Whether it goes that way is a matter for all of us to examine as the technologies develop. If the scenario painted by the Leader of the Opposition came to pass, I guess, in a practical sense, householders would have a choice about whether to get their electricity as franchise customers or to get gas from AlintaGas or another supplier under full retail contestability in gas, and then use that gas, not to run a hot water system, but to run a fuel cell and power up their own electricity supply. If that technology became commercially feasible in such a short time, it would require some reassessment of the Government's electricity policies. However, full retail contestability would not be the only thing that the Government would have to look at if that surprising development came about.

Mr C.J. BARNETT: I do not know that it is all that surprising, and I do not know whether my history of science is correct. Was it Faraday who -

Ms M.M. Quirk: Yes.

Mr C.J. BARNETT: As a bit of trivia, I remember having a meeting with some eminent scientists in Germany about five years ago. They commented to me that the first detection of electric current was a result of a chemical reaction shortly after electricity was generated by the physical act of resistance. It was just one of those quirks of science that all the research and development went down the path of the physical production of electricity through resistance, power generators and the like. For virtually 150 years no scientific work has been done on the production of an electrical current by chemical reaction; there has been a void of scientific advancement in that field. It is only now that people are re-entering that field. I suspect that the advancement of technology in fuel cells and the chemical current emanating from chemical reactions will advance at an astonishing pace. Science has not advanced in that area for 150 years; it has been completely neglected. The minister was not listening to the point I was making, which is that the first detection of an electrical current was as a result of a chemical reaction. Shortly after that discovery, an electrical current was reproduced by the physical act of resistance and the hydrocarbon and power generation industry - even wave power and the like - are based on the principle of resistance to the production of a current. The development of science around the chemical production of a current has not advanced for 150 years. It is only now that people are returning to that. I suspect that fuel cells and other technologies will advance at an astonishing rate.

Mr E.S. RIPPER: Most people would regard those types of advances in fuel cell technology as a good thing.

Mr C.J. Barnett: Particularly in remote areas.

Mr E.S. RIPPER: It would significantly deal with the types of issues that the National Party has raised. If the member is right, the effects of the tyranny of distance could be done away with and there would be small-scale demand for power and power prices.

Mr C.J. Barnett: Gas could be stored and energy could be produced in situ.

Mr E.S. RIPPER: From 1 May, householders will be entitled to buy gas from any supplier in the market. Consumers will be entitled to use that gas to run, for example, a hot water system or a stove. In principle, if it were safe to install domestic fuel cells, the legislation would not prevent people from installing a fuel cell and using the gas to run it. People could then use the electricity from the fuel cell to run their household electricity.

Mr J.H.D. DAY: The definition of "customer" in this clause is somebody who consumes not more than 160 megawatt hours of electricity per annum. What type of business does that refer to? What size business would not be defined as a customer? Why has that cut-off been put in place? In other words, why are bigger consumers not regarded as customers?

Mr E.S. RIPPER: This provision relates to consumer protection measures. The philosophy behind it is that above a certain level of electricity consumption the customers are large enough to look after themselves in the commercial world and do not need the consumer protection that the Bill provides for smaller customers. The level of 160 megawatt hours of electricity per annum was arrived at in consultation with a consumer forum, which included representatives from the Western Australia Council of Social Service and other organisations. The level equates to about $28 000 worth of electricity a year. I am advised that a large delicatessen operation or something of that type would not be considered a customer. I am further advised that the level of 160 megawatts is consistent with the practice in the eastern States with regard to these matters.

Mr J.H.D. DAY: To go back to the issue of contestability, as I said earlier, I was surprised that it was not made clear whether this Bill provides for full retail contestability in a theoretical way.

Mr E.S. Ripper: You have noticed that I have sent away an adviser. Obviously, something would have to change to provide for full retail contestability, otherwise we would have it immediately when this legislation was proclaimed. I am seeking advice on the type of change that would need to be made and whether Parliament would have a say on that.

Mr J.H.D. DAY: I would like the minister to clarify how he expects consumers to benefit from lower electricity prices in the event that they cannot choose an alternative supplier. That is a crucial issue. Unless the consumers are able to choose an alternative supplier, how will they get lower electricity prices, which the minister has led people to believe they will get but has not given a guarantee on?

Mr E.S. RIPPER: Obviously, customers are in the most powerful position when they have a choice of suppliers. If a customer did not like the price he had been offered or if he did not like the way the supplier dealt with him, he would be in the most powerful position if he were able to go to another supplier. On the other side of the argument, infrastructure is required in information technology to facilitate transfers from supplier to supplier among household customers. Ultimately, all customers bear the cost of supplying infrastructure. People want to know that the costs that customers would bear as a result of supporting the infrastructure would be more than outweighed by the benefits that would be available to them through competition. That is why, on the advice of the Electricity Reform Task Force, the Government determined that it would proceed with the reform in stages. The Government's original intention was to obtain full contestability by July 2005. However, we have altered that original plan to proceed with the reform embodied in this legislation, followed by the consideration of full retail contestability. A decision on that matter will be made at that time.

I have had this discussion with the Leader of the Opposition and I do not think I convinced him, but neither did he convince me, so we are square. The issue is whether the benefits of competition from improved efficiency can be passed on to the customers who do not have access to competition. The answer is that they can be, through regulated tariff. The Government will receive public advice from the Economic Regulation Authority on that tariff. The process will be a lot more accountable than it is at the moment. The advice from the ERA on what should happen with the tariff will be in the public arena. The Government can go against that advice at its own peril with regard to the public debate that would follow.

Mr J.H.D. Day: That is exactly what is happening in South Australia. It has a regulator but the tariffs are going up.

The ACTING SPEAKER: I need a member to be on his feet.

Mr E.S. RIPPER: My understanding is that the South Australian Government does not have control of the tariff. I might be wrong. I understand that the regulator makes the decision and that the Government must wear it. Under the model we are setting up, the regulator will say what he thinks the tariff ought to be but the Government will make the decision.

Mr J.H.D. DAY: That is an interesting issue. What if the regulator made a recommendation that the tariff should go up? Because that would not be very palatable to the Government, it would keep the tariffs down.

Where will the money come from? It must be paid for somehow or other. There may be a situation in which the electricity generators become unviable, as has happened in other jurisdictions. Am I not correct?

Mr E.S. RIPPER: One can develop all sorts of theoretical scenarios when discussing these matters.

Mr J.H.D. Day: It is a practical reality; it has happened in California.

Mr E.S. RIPPER: I am advised that in other jurisdictions expert advice has been received that a tariff increase was required but, because the Government has not wanted to face the political pain of increasing prices, it has not accepted that advice and there have been flow-on financial consequences. Because electricity is an essential service, the Government believes that it should be held accountable for the provision of that service and should make the price decision on the tariff cap.

Mr C.J. BARNETT: I want to get back to the issue of contestability and how competition will bring reform. When Western Power has 80-plus per cent of generation on the grid and the only remaining generation is essentially in-house generation by Alcoa World Alumina Australia and Worsley Alumina Pty Ltd, and even by Mission Energy, which is essentially a form of in-house generation almost to the BP refinery, where will the extra generation come from in a short period? The demand in the system grows by about 120 megawatts a year. It could be argued that it is private and it would bring in another 120 megawatts of private generation each year in a grid of 4 000 megawatts. However, that would soon put out of balance the peak, mid merit and base load plants, so that could not be done. If that is the best scenario, where will that great influx of private generation come from, when Western Power currently has 80 per cent and the other 20 per cent is essentially 20 per cent in-house generation by mining companies? How will it happen and where will it come from?

Mr E.S. RIPPER: I thought we were discussing consumer protection measures for small-use customers.

Mr C.J. Barnett: We are trying to explore the way in which consumers will get lower prices.

Mr E.S. RIPPER: Although I am happy to continue with a general debate, if the Chair allows it, we would probably do better by going through the clauses and saving the general debate for the second reading or third reading stages.

Mr C.J. Barnett: So you can't answer?

Mr R.N. Sweetman: All right, do you want us to ask easier questions?

Mr E.S. RIPPER: No, I am quite happy -

Mr C.J. Barnett: There is an answer.

Mr J.H.D. Day: Let the former Minister for Energy give the answer.

Mr E.S. RIPPER: If the Leader of the Opposition thinks there is an answer, he should give the answer if he wants to. The issue is that Western Power will be the dominant generator of electricity and the state retailer will be the dominant retailer of electricity for quite some time in the future.

Mr C.J. Barnett: So, what will change?

Mr E.S. RIPPER: There will be a gradual introduction of new entrants to the system, which will put competitive pressure on Western Power, and no doubt there will be some changes to Western Power's operations.

Mr C.J. Barnett: When?

Mr E.S. RIPPER: AlintaGas and Alcoa have already committed to 120 megawatts of co-generation plant. I am not sure whether they have committed to unit 2, but they have announced that their ambition is to have 1 000 megawatts of co-generation plant in the system in due course. Currently they have committed to only 120 megawatts, and they have done that because of the Government's announced intention to proceed with electricity reform. They have said publicly that they would not have done that if the Government had not embarked on its electricity reform program. The competition reform is already working to promote private investment in generation.

Mr C.J. Barnett: That was in place already.

Mr E.S. RIPPER: The public statement of AlintaGas indicated that it is making this investment on the basis of the Government's announced electricity reform program.

Mr C.J. Barnett: Alcoa nearly went ahead with that proposal about four years ago. It hesitated because the American owners were concerned that it would interfere with its alumina operations. There was nothing stopping it doing that four or five years ago.

Mr E.S. RIPPER: That is not quite what Alcoa and AlintaGas have been saying about the 120 megawatts.

Mr C.J. Barnett: It is a fact.

Mr E.S. RIPPER: AlintaGas and lots of private sector renewable proponents are very interested in proceeding.

Mr C.J. Barnett: That is very good but it is very marginal.

Mr E.S. RIPPER: There is a possibility of other entrants as the reform program is bedded down.

Mr C.J. BARNETT: There will be a megawatt here and there. The whole basis for justifying the expenditure of $350 million is the change in the nature of the electricity industry.

Mr E.S. Ripper: Do you not think 1 000 megawatts of co-generation is a change?

Mr C.J. BARNETT: I do and I will explain it to the minister. I believe that change must take place in the electricity industry, but the only change that matters will be the changes in generation; the rest of it is theoretical nonsense. There will be nothing to be gained unless generation is changed substantially. The growth in the market is 120 megawatts out of 4 000 megawatts. The best the Government can do is hope that the 120 megawatts coming on every year is by private investment. The percentage of 120 megawatts out of 4 000 is about 2.5 per cent; therefore, at best there will be a 2.5 per cent growth in private generation. Western Power has 80 per cent, which may come down to 78 per cent and then to 76 per cent. It will be a long haul before there is any real change, and that is the most extreme scenario. The only way to get 1 000 megawatts onto the system in a short period is for Western Power to step aside because the market growth is not there. I hope there will be a stronger economic growth rate, but there will never be 300 or 400 megawatts of growth in a year in the south west. The only way that 1 000 megawatts of Alcoa-Alinta generation can come on quickly is for Western Power to step aside or, in other words, exit the market. The only way to get real competition is for the state-owned power generation to close power stations or to reduce their operations. That is the only way to create a void in the market for a competitor to come in. That is what will happen, and that is why the member for Collie is not representing his constituents. The crunch will come in the opening of the void, either forced by the inability of generation to compete and being locked into historically high coal contracts or, to get new generation in, which has some desirable aspects, a policy decision will have to be made that Western Power exits the market for a significant part of generation; otherwise there will be no real competition.

Mr M. McGOWAN: I listened intently to what the Leader of the Opposition had to say and I would be interested to hear the thoughts of the Minister for Energy. In other States, particularly in south-eastern Queensland and New South Wales, significant private generators have entered the market as a result of the separation of generation retail and the wires. The largest or second largest power station in Queensland is a private, new, modern facility at a place called Millmerran, 300 kilometres east of Brisbane. That private facility has been constructed since disaggregation came into play and has resulted in competition in generation in Queensland. Secondly, the Queensland Government through its generator in Queensland - which used to be called SEQEB, the South East Queensland Electricity Board, but is called something else now - no longer has to invest the same amount of funds in generation as it did historically. That has meant that the Queensland Government has more funds to put into those parts of the industry that have traditionally suffered; that is, the networks. Like Western Australia, Queensland is a big State, with a lot of area to cover, particularly the communities in the south-eastern corner, compared with our south-western corner where wires have traditionally suffered. The Leader of the Opposition did not know that there was a substantial power station at Millmerran in south-eastern Queensland. That power station has meant that fewer government funds have gone into generation, which is what this legislation is all about. The Leader of the Opposition said words to the effect that 120 megawatts of capacity might be built by the private sector per annum. The beauty of the model put forward by this Government - I seek the guidance of the Minister for Energy on this view - is that it will enable a residual trading market to come into play for producers, such as private sector producers, who might build a substantial coal-fired power station in the south west with the new lower-emission coal they talk about regularly, which would provide them with the opportunity to sell the excess in that market. That is the excess that is over and above the amount of generation that those private sector producers sell to individuals.

Mr C.J. Barnett: They can do that now.

Mr M. McGOWAN: No, they cannot. The Leader of the Opposition should talk to Mission Energy about how it works at the moment; I do not know whether he has already. Why does he think it has said to us that there must be a change in the existing arrangements? It means that a private company can build a substantial coal-fired power station and know that it can sell the excess over and above that which is locked up in bilateral trading contracts. That is why the model that the Government has put forward will enable private sector generation capacity over and above that which the Leader of the Opposition has suggested. Hypothetically, let us say that the Leader of the Opposition is right. How long has our electricity system been in place in Western Australia? I think it has been in place for more than 100 years. The Leader of the Opposition is talking about 120 megawatts

per annum. He said that there is a total generation capacity of between 3 000 and 4 000 megawatts. If that happened every year, in 15 years it would be half of the existing capacity that is currently generated. I do not think that is insubstantial; that is a lot of generation capacity, even under the model put forward by the Leader of the Opposition, which I do not accept. I would like to hear the Minister for Energy's thoughts on those facts.

Mr E.S. RIPPER: The problem with the Leader of the Opposition's analysis is that it is a static analysis. It assumes that the industry will continue with the same level of demand it has at the moment. However, the Government is doing this to get lower electricity prices, more demand for electricity, more investment in electricity-consuming industries, more growth in those industries and more jobs. We are trying to get the Simcoa effect. Mr Brosnan from Simcoa has said that reducing electricity costs will encourage it to increase its capital expenditure and create 50 jobs. What has been proposed by Simcoa shows the folly of a static analysis, which assumes that there will be no growth in the industry as a result of competition and lower electricity prices.

Another issue that must be considered is that a competitive electricity market will be established and, for the first time, there will be a mechanism by which uncontracted energy can be sold, enabling people to sell surplus capacity into the market. AlintaGas has put forward proposals. It is committed to the first unit in its co-generation plant and has said publicly that it is already campaigning for the customers required for unit 2. I think the reform is already demonstrating its worth in terms of what is happening with private sector willingness to invest in generation. The problem is that the previous Government lowered contestability thresholds, and that was a good thing, but it did not bring competition into practice because the private sector did not have confidence that it would get access to the networks and the markets on a fair basis.

Mr C.J. Barnett: We agree on networks. I have always agreed on that.

Mr E.S. RIPPER: I am glad the Leader of the Opposition agrees with me on networks. The Opposition need make only the last step, which is the separation of retail from generation.

Mr C.J. Barnett: It is about reliability of power supply.

Mr E.S. RIPPER: Reliability of power supply is taken care of by the vesting contract issue and by the available capacity mechanism. If the Leader of the Opposition looks at what is proposed with the vesting contracts and the ACAP mechanism, I think he will be able to bring himself to support the separation of retail from generation. The Government might have many disagreements with the Leader of the Opposition, but it shares his estimation that reliability of electricity supply is an extremely sensitive political issue. The Government will not go down the path of exposing itself in its second term in government to an electricity reliability and supply crisis. The Leader of the Opposition should have at least some modicum of respect for our political instincts. I regard reliability of supply as a very important community issue. Electricity is an essential service, and the community has a right to expect it to be delivered on a reliable basis. We have taken great pains in the design of this system to ensure that we have dealt with the question of reliability of supply. We believe in it; it is important to the community. We would be fools politically if we did not protect ourselves against the possibility of some reliability issue arising as a result of these reforms.

Mr J.H.D. DAY: We have moved away from the direct intention of clause 47.

The DEPUTY SPEAKER: I am sure that all members will now return to the clause at hand.

Mr J.H.D. DAY: We are having a very important discussion. We are talking about customers and contracts. That is what it is all about with electricity - what customers pay for and whether they can get a reliable supply of electricity. I was interested in the comments of the member for Rockingham, who unfortunately has left the Chamber but who seems to be making a very strong bid for the job of Minister for Energy.

Mr E.S. Ripper: He would be an excellent successor.

Mr J.H.D. DAY: He certainly seems to be making a very strong pitch for it, so the minister should be careful.

Mr C.J. Barnett: I have not seen the member for Collie at any stage in this debate.

Mr E.S. Ripper: The Parliamentary Secretary to the Premier, the member for Rockingham, has been a very good participant in the process of electricity reform.

Mr J.H.D. DAY: When there is a reshuffle following a leadership challenge and a possible change in the foreseeable future, maybe the member for Rockingham will get his day.

Several members interjected.

Mr J.H.D. DAY: I know exactly what I am talking about. The member for Fremantle and the member for Victoria Park might exchange jobs some day.

The DEPUTY SPEAKER: As amusing as this conversation might be to members, I remind them that we are dealing with clause 47.

Mr J.H.D. DAY: The member for Rockingham, the Minister for Energy in waiting and the Treasurer in waiting, has come back into the Chamber. The Minister for Energy should keep looking around; I would keep an eye on the member for Rockingham if I were him.

Mr E.S. Ripper: I encourage him.

Mr J.H.D. DAY: That can be a trap.

The Leader of the Opposition raised a very important point earlier. What have we heard from the member for Collie in this debate? We have not heard a word.

Mr C.J. Barnett: The one person whose electorate is directly affected is not here.

Mr J.H.D. DAY: The biggest issue in the electorate of Collie is the electricity industry and the future of coalmining. Surely it would be appropriate for the member for Collie to make some comment on the major legislation we are debating. His absence is quite astounding. I am sure that the electors of Collie would be very interested to know that there has been no contribution from him so far. It is not too late for him to contribute. I have nothing against the member for Collie; he is a great bloke. I am on the Economics and Industry Standing Committee with him. He is a very decent, honourable man; there is no doubt about that.

Mr P.B. Watson: And a very good local member.

Mr J.L. Bradshaw: The former Labor member, Tom Jones, would have stood up for the people of Collie.

The DEPUTY SPEAKER: Members, my patience has now worn out. It is time that members addressed themselves to the clause at hand. I have allowed far too much latitude.

Mr J.H.D. DAY: I was interested in the comments of the member for Rockingham about getting additional generation capacity from the private sector. What does the minister have to say about a scenario in which additional capacity could be provided at a lower cost by Western Power? Would Western Power be excluded from providing further generation capacity in favour of the private sector, or would it be able to compete on equal terms? It is a very pertinent issue. I know Western Power is keen to investigate putting another co-generation unit next to the Cockburn 1 plant that was opened last weekend.

Mr E.S. RIPPER: I think the best place to deal with that matter is in debate on the Electricity Corporations Bill. We have had a wide-ranging debate on clause 47. Although I have participated in it, I think that we could deal with these issues in a more systematic manner if we dealt with the legislation clause by clause.

Clause put and passed.

Clauses 48 to 58 put and passed.

Clause 59: Regulations as to default supplier -

Mr J.H.D. DAY: In what circumstances would a default supplier need to be engaged and who or which organisation would be the default supplier? Presumably Western Power, under whatever name the generation organisation might have, would be the supplier of last resort and be required to take responsibility for ensuring that supplies are available; however, that is not spelt out in this clause. I would like some more information about what is contemplated in this respect.

Mr E.S. RIPPER: I think the member for Darling Range imagines that this is a supplier of last resort mechanism; however, that situation is covered in a different clause. This clause covers the situation in which a contestable customer vacates the premises and someone else moves into those premises and takes power without establishing a relationship with a particular supplier. Under the regulations, the default supplier would be the last supplier for the previous occupant of the premises.

Clause put and passed.

Clauses 60 to 66 put and passed.

Clause 67: Terms used in this Part -

Mr J.H.D. DAY: This clause and other clauses in part 5 refer to the last-resort supply arrangements, and I raise the issue I raised a moment ago about who the minister thinks will be the supplier of last resort. I also ask how that situation would operate and what sort of financial protections would be afforded to a supplier of last resort.

Mr E.S. RIPPER: It is intended that the supplier of last resort in the south west interconnected system will be the Electricity Retail Corporation and that in other areas it will be the Regional Power Corporation.

Clause put and passed.

Clause 68 put and passed.

Clause 69: Requirements for last resort supply plan -

Mr C.J. BARNETT: Who would be the supplier of last resort in an Aboriginal community?

Mr E.S. RIPPER: There would be no supplier of last resort in an Aboriginal community with a single supplier if that single supplier went out of business. That is the current situation, and it would be the continuing situation. Nevertheless, ensuring that such communities continue to receive supply is an issue of policy for the Government. It may be that the Regional Power Corporation will be asked to step in. This clause provides a framework for a situation in which there are competing suppliers and one of them goes out of business. There would not be competing suppliers in an Aboriginal community.

Mr C.J. BARNETT: It is a little more than that. If people have access to competing suppliers, good luck to them. However, the principle of supplier of last resort relates to the essential service nature of electricity and the obligation of government to provide electricity. The minister just said that Western Power - or whatever the retail organisation will be called - will have that status of supplier of last resort in the south west interconnected system, and the network's corporation will have that responsibility elsewhere. However the network's corporation will not operate everywhere. People who happen to be Aboriginal and live outside a designated town will not enjoy the access to a supplier of last resort. There is no obligation to supply a group of people in our community.

Mr E.S. RIPPER: I agree that that is not a good situation. That is the situation at the moment. Western Power does not supply Coral Bay, Eucla, Windy Harbour, Widgiemooltha, Bidyadanga or Warman Rocks. Almost 30 communities in the State do not receive supply from Western Power and, therefore, do not receive the benefits of the reliability that Western Power supply would bring or access to the uniform tariff and pensioner concessions. Quite frankly, we have inherited an inequitable system of power supply which means that some communities, in particular indigenous communities, miss out on the quality, reliability and price advantages of Western Power supply. The Government has embarked on a pilot Aboriginal power procurement program to deal with that issue. It is presently targeted at five Aboriginal communities and is being worked out in conjunction with the Aboriginal and Torres Strait Islander Commission, which currently has financial responsibility for some aspects of power supply to Aboriginal communities. The Government will work with ATSIC to provide power supply to these five indigenous communities on a new basis. My ambition is that once the impact of that pilot is determined, we will move on to meet the power needs of those other Aboriginal communities with populations greater than 200. We, as a State, ought to be ashamed that we have arrangements for power supply to Aboriginal communities that are different from those that apply to non-indigenous communities in regional areas. Naturally there will be a cost to the budget in providing these new arrangements and the new uniform tariff provisions. Some issues about the way in which the program works also need to be overcome.

At the moment Aboriginal communities meet their power needs on the basis of collective responsibility. There are sometimes what are known as chuck-in arrangements, whereby people put in for the overall electricity bill received by the community. Under the power procurement pilot arrangements, it will be necessary to have a system by which people receive individual bills, and that is one of the reasons that the matter is being conducted on a pilot basis, because the introduction of individual billing and the abolition of the collective arrangements will need to be worked out with the Aboriginal communities involved. I am very committed to this program, because I regard it as discriminatory that we have not had such arrangements for Aboriginal communities in the past. Nevertheless, there is a legacy of non-provision to be overcome. Arrangements need to be worked out with the Commonwealth through ATSIC. Quite a bit of work needs to be done to get this matter sorted out.

Mr C.J. BARNETT: Does the minister accept the principle that supply of last resort, provided presumably by a government-owned utility, should be extended to all gazetted towns in Western Australia?

Mr E.S. RIPPER: The Government is working on the question of the circumstances under which we will extend the power system. This is quite a historic problem that we have inherited. I have indicated that up to 30 towns, most of them indigenous, might be affected by this situation. We cannot extend normalised power arrangements to all of these places overnight, but we are working on a staged basis to rectify the injustices that have occurred in the past.

Clause put and passed.

Clauses 70 to 77 put and passed.

Clause 78: Terms used in this Part -

Mr J.H.D. DAY: This clause refers to the code of conduct for small customers. I seek some indication from the minister as to what provisions the code of conduct will contain. The minister may have answered this question earlier, but can the minister also clarify whether the code of conduct is in preparation or preparation has still to be commenced?

Mr E.S. RIPPER: The code will be worked on from early next year. It will deal with matters such as disconnection procedures, and marketing to contestable customers. The types of customers who will be covered by the code of conduct will be those who use less than $28 000 worth of electricity per annum. These processes for the electricity supply industry are similar to the processes and provisions for the gas industry that were in the energy legislation that we dealt with a few months ago.

Clause put and passed.

Debate adjourned, on motion by Mr E.S. Ripper (Minister for Energy).