

## REGIONAL POWER PRICING POLICY

### *Grievance*

**MR SWEETMAN** (Ningaloo) [9.15 am]: My grievance is to the Minister for Energy and is about the regional power pricing policy. I encourage the minister not to read from a prepared brief when he responds to my grievance because I know that he will leap to his feet and tell me that he repealed the former L5 tariff which reduced the cost of power by about 4c a unit for high-consuming customers. That repeal affected about 50 or 56 consumers in off-grid applications. I congratulate the minister for doing that; it was a marvellous thing to do. Not only businesses were advantaged by that decision. However, the latest press release on off-grid power prices from Hon Nick Griffiths boasted that the Government has basically solved the problem by reintroducing the tariff. I say to the minister that not only was the L5 commercial tariff a problem but also the L2 tariff. At 17c a unit - I have rounded off the figure - it is simply too dear when one compares the tariff with on-grid consumption, particularly commercial tariffs. The interconnected system consumers have a time-of-use tariff; I understand that is the R1 tariff, and applies to the Pilbara and the south west interconnected systems. Those systems provide power as low as 5.5c to 5.6c a unit, which is an off-peak tariff available from about 8.30 pm through to 6.00 am. Can members imagine how good it would be for regional Western Australia if it could get that time-of-use tariff?

I understand Western Power's argument against a time-of-use tariff is that the 28 or 29 stand-alone generating systems around Western Australia are directly geared to demand, which means they supply power at the same price, whether it is at one o'clock in the morning or one o'clock in the afternoon. However, this grievance is about equity. I want to give the minister some specific examples, and although I will relate many of the examples to Carnarvon, it is a problem also in Esperance, Exmouth, Broome, Derby and, to a lesser extent, Meekatharra, Mt Magnet and even Cue.

One of the minister's boasts was that he would revitalise regional development. One of the best ways in which he could achieve that is by reinstating the R2 tariff. I do not know whether the minister is aware that the R2 tariff is being phased out. That was in fact a Clayton's time-of-use tariff, because areas in regional Western Australia that could not avail themselves of the off-peak R1 tariff for evening and weekend consumption were given the flat R2 tariff. That tariff was about 10c a unit when it was introduced initially. That tariff is being phased out at about eight per cent a year until ultimately all of the high-consuming customers will be charged the commercial L2 tariff.

Power is too dear. I will give the minister an example. It is cheaper to manufacture ice in Geraldton and truck it to Carnarvon than it is to manufacture it in Carnarvon, simply because the tariff is too dear. People producing ice in Geraldton use power that costs about 5.6c a unit. People in Carnarvon are paying 17c a unit.

Mr McRae interjected.

**MR SWEETMAN:** The price of fuel in the bush? I hope that is in the minister's brief. The Keating Government put on fuel excise, which took the country power stations' loss from \$16 million a year to about \$44 million in the first year. Some of that has been wound back, but the loss in country Western Australia is still about \$35 million or \$36 million a year. At least \$20 million of that can be attributed to the fuel excise.

When the minister stops listening to the potential minister, I will get back to my grievance! I ask the minister what he will do about the L2 tariff - the commercial tariff as it applies to businesses like bakers, abattoirs and seafood producers that have to snap freeze their products, whether it be crabs, scallops, prawns or snapper.

Mr Marlborough interjected.

**MR SWEETMAN:** Many of these people can take opportunities and gear their businesses to consume most of their power at night. Load profiling was happening under the previous minister, which enabled Western Power to get some sort of profile of its larger customers to see whether individual contracts could be written to give those businesses a rebate - perhaps not 5.6c a unit, but a cheaper tariff - which would then put them on a more normal footing with businesses further south.

**MR McRAE:** How should they pay for it?

**MR SWEETMAN:** By being creative. There are lots of opportunities. There is a problem in Derby and the west Kimberley. We will now see whether the minister is as good as his rhetoric and whether he funds the Government's part in the tidal power project. In places like Carnarvon - one of the windiest destinations anyone could ever wish to visit during its windy season - there is an opportunity to put wind turbines out on Browns Range. As part of this grievance, I invite the minister to come to Carnarvon. Although Carnarvon is not the only problem, as I have already highlighted, I am certain that if he sits down with some of the leading businesspeople in Carnarvon, they will help him develop a blueprint for solving problems, not just in Carnarvon, but in other areas as well. I am sure some of them would be happy to take an equity position in a solution and

help the minister put in place a wind turbine on Browns Range, which would enable them to legitimately demand an off-peak tariff. It would also let the minister off the hook in relation to what he has committed to regional Western Australia to reduce the cost of power and encourage regional businesses to expand and new businesses to relocate out of the metropolitan area into country areas and not carry any burden, impediment or cost differential in relation to power. I encourage the minister to do something about it. I would love to take him to Carnarvon and introduce him to the Chairman of the Carnarvon Chamber of Commerce and Industry, Mr Terry Haggett. I am sure he would paint the minister a glowing picture of what could happen in Carnarvon if we were to reinstate the R2 tariff, or to at least put in place something equivalent to that.

**MR RIPPER** (Belmont - Minister for Energy) [9.23 am]: I thank the member for his speech. He demonstrated the importance of lower electricity prices for economic development and for the promotion of investment and growth in jobs in this State. He has given regional examples. However, the argument applies to the whole State. If we can keep down or lower electricity prices, we will have done something favourable for business, which, hopefully, will promote investment and growth in jobs. There are a number of anomalies and inconsistencies in regional electricity pricing. The member has drawn attention to the time-of-use tariffs not being available for regional customers. That is one anomaly. Another one with which I am dealing at the moment is the provision of power to Aboriginal communities. Western Power is the supplier in gazetted towns and people receive their electricity at the uniform tariff. However, in Aboriginal communities that may be in the same region, there is a completely different set of arrangements. Quite often they are unsatisfactory; the power supply is of poor quality and the power is expensive. To deal with that anomaly, we will conduct a power procurement process in three communities as a pilot to see whether we can get a more efficient supply of power. Once that power has been tendered for, the Government, together with the Aboriginal and Torres Strait Islander Commission, will fund the supply of the power at the uniform tariff.

Let me return to the particular anomaly that has been identified by the member for Ningaloo; that is, the time-of-use tariff. The member put the argument, which Western Power gives me, that there is a commercial advantage for Western Power in having lower tariffs at night on the south west interconnected system. Obviously, power is supplied from a variety of plants to the system. The more expensive plants come on at peak times when the power is demanded. The less expensive plants are the base-load plants that run for 24 hours. Obviously, if power use can be shifted from peak times to off-peak times, that power will be generated by the cheaper generating plants. The need for future investment in peaking plants will also be reduced. Western Australia has a pretty sharp demand curve, and it is becoming sharper because people are buying airconditioners but are not using them 24 hours a day; they are using the airconditioners at the peak times in the late afternoon and early evening. What Western Power is required to supply is becoming more orientated to the peak times. There is more of a need to shift power to off-peak times. The commercial advantage that Western Power experiences with the off-peak tariff from the south west interconnected system does not apply in the regional areas. Although there might be an argument on the basis of equity, which the member put forward, there is not the same argument from the point of view of Western Power's finances as there is with the south west interconnected system.

Mr Sweetman interjected.

Mr RIPPER: Yes. If Western Power were to be asked to do this, it may well ask for a community service obligation. I am prepared to come to Carnarvon to talk with the various people affected. We want to promote regional economic development. I am not promising that we could necessarily produce the tariffs that people want, but I am prepared to have a discussion with people about their experiences and how they are affecting their businesses. I am also continuing to pursue the regional power procurement process to try to get cheaper power supplies into regional areas to reduce the burden of the cross-subsidy that now applies to Western Power. Once regional communities get those cheaper power supplies, there will be options for further development of the power system.

The member mentioned low profiling. That is not something on which I have received advice, but I will talk to Western Power about the possibility of a thorough examination of whether there are any commercial benefits to Western Power in an off-peak tariff in the regional areas. Following the member's grievance, I will give the matter more attention. Regional power supply and the uniform tariff constitute a significant cross-subsidy burden on Western Power's finances. We certainly were in favour of restoring the uniform tariff to its position prior to the actions of the previous Minister for Energy. However, there are significant cost implications in taking it further.

Mr Sweetman: Does that include the R2 tariff, because that is like a ticking time bomb behind all this? The tariff for those customers has gone from 10c or 11c a unit to 14c, and it will increase to 17c. The tariff will increase eight per cent a year until they are on the commercial tariff. They are all big customers. A lot of them can make decisions to relocate from country areas to where they can connect to the grid.

Mr RIPPER: I have not received advice from Western Power about that matter; therefore, I cannot confirm that the eight per cent a year is as the member says it is. However, following the assertion that the member has made, I will certainly seek that advice. I will go to Carnarvon and talk to the member's people. I will ask Western Power about the load profiling matter, because I would like further advice about whether that gives Western Power some commercial advantages. I will also talk to Western Power about what it is doing with the phasing out of the R2 tariff and whether the situation is as the member says it is.