

ELECTRICITY INDUSTRY AMENDMENT BILL 2019

Second Reading

Resumed from 18 March.

HON ROBIN SCOTT (Mining and Pastoral) [9.29 pm]: I spent the last few days trying very hard to follow the goings on in this chamber. Most of the time I have gone with the flow and followed the decisions made by honourable members. I understand that the government needs to pass these emergency measures as quickly as possible, but at the same time it has to provide members of Parliament with enough information to enable them to make appropriate decisions. I believe that the balance is wrong with this Electricity Industry Amendment Bill 2019. There has been no consultation with the industry or with Horizon Power. The government is using COVID-19 to push through this legislation. I have no problem with the government doing this when the measures are urgent and in the public's best interest, but the Electricity Industry Amendment Bill has a very weak link to COVID-19. At best it is pure workmanship and at worst it is deception, and I believe that it should be called out. This is a terribly complex and technical bill that requires a very high level of understanding of our energy framework. The government is bringing it forward and pushing it through because, as it has said —

... it will make the electricity system in the Pilbara more efficient and reliable, which will aid the economic recovery after the COVID-19 crisis.

What a load of rubbish! This is not an emergency measure; the government should stop pretending that it is. The reality is that the government has been caught out with COVID-19 and is trying to tack the COVID-19 label on to bills that have been in the pipeline for many months. I understand that this is a tough situation, but we should stop and take some time to get the true emergency measures right, like the people of Western Australia want us to. Now is not the time, when resources are stretched, to make this decision, which could have unintended consequences down the track. Because everything has been rushed, I have only just managed to look at the explanatory memorandum. It outlines a proposed new part that inserts a temporary access charge and refers to the tariff equalisation contribution. If this bill is passed, we will be subsidising Horizon Power if another power supplier comes online. I will not be voting for this bill. The timing of it is very wrong and it is not an emergency measure.

HON COLIN de GRUSSA (Agricultural) [9.32 pm]: I am the lead speaker for the Nationals WA and rise to indicate that the Nationals will be supporting the Electricity Industry Amendment Bill 2019. I want to reflect on some of the comments made by Hon Robin Scott because it would appear that the Electricity Industry Amendment Bill 2019 certainly could not be a COVID-19-related bill. In fact, when I asked the ministerial office what COVID-19-related changes would be made by this bill, the answer was that there are none. No changes in the bill relate to COVID-19. An argument can and is being made by government that this bill will improve efficiencies and deliver lower energy costs, which may help the recovery in the Pilbara after COVID-19—all right; I can accept that. This is actually a very good bill because it introduces very good reforms. They are very complex reforms but also very necessary reforms. It is clear that the Pilbara is quite a challenging landscape for those reforms. We have Horizon Power and other interconnected systems all joining together to form the north west interconnected system; it is a complex energy landscape. On top of that, we have the changing and complex environment in which energy is delivered across the nation and the world, with the advent of cheaper renewable systems and all sorts of different things that are connected to grids. That presents a very complex challenge to government to legislate to allow those things to evolve and different systems to be interconnected.

Another aspect of this bill, other than the north west interconnected system aspect, is the changes to the legislation to allow Western Power to have battery storage and other systems connected to the south west interconnected system. That is a very good reform, particularly for regional people, because there are plenty of examples of those sorts of systems providing a much more reliable and economic alternative to the traditional poles and wire system. In fact, I can talk about the example in Esperance after the 2015 bushfires. That is on a Horizon Power system. The legislative framework allowed Horizon Power to make changes to allow different systems to be put in. After the fires went through and burned the poles and wires out, Horizon Power approached some landowners and said, "Look, we can do what we've always done. We can build the poles and wires right out to your doorstep, or maybe you'd like to consider a renewable option that has a solar battery and a generator system. We can pop that on and you'll still pay your Horizon Power bill as you normally do. We'll look after the system and make sure it meets the requirements that you need, and give it a go." Those landowners opted for that, including the Department of Biodiversity, Conservation and Attractions at its Cape Le Grand facility. A good friend of mine is the head ranger out there. He spoke volumes about how good that system is with the reliability of supply it provides, and also the alternative option of having three-phase power, which they were never able to have before. That was a very good option for those guys and the farmers out there as well. It gave them a much more reliable power source that enabled them to use equipment that they could not previously use, but was much better to use, such as three-phase welders and electric motors. That is a very good option for customers on the SWIS, as is the legislative reform in this bill to allow standalone power to be provided on the SWIS in certain circumstances.

The regulatory regimes being introduced on the north west interconnected system in the Pilbara are complex. What is being called a light-touch regulatory regime is a good approach, as it will allow competition over a certain threshold, which is the 1 200-megawatt hour threshold. I believe that potentially 30 to 40 customers on the Horizon Power network may be what is being called contestable customers, who will be allowed to choose to go to a different supplier or stay with Horizon Power if it offers them a better deal. That will add a little competition and a bit of incentive for businesses up there. Electricity energy costs are a pretty significant part of many businesses' costs. It is a sensible approach, as is the introduction of the independent system operator to provide oversight and management of the entire network, as is done for the south west interconnected system. That will also add to the security and reliability of the system.

These are good reforms in many respects. I have some questions around what modelling work was done to arrive at the 1 200-megawatt hour figure for the contestable customer. It would be fair to say that a tremendous amount of work has been done on these reforms, because they are so complex. I imagine that some work must have been done and I would like to know what that was. I would also like to know how the 1 200-megawatt hour figure was arrived at and how many customers that would currently represent on the Horizon Power system. Another issue is that when we take those bigger consumers out of that network, the temporary access contribution will offset some of the loss, if members like, of those customers. The costs that Horizon Power has already committed to will be offset somewhat by the temporary access contribution, which will be set at about 10¢ per kilowatt hour. I would also like to know where that 10¢ per kilowatt hour figure for the temporary access contribution comes from.

The argument in reforming any network to which competition is being added to a system like that is that if an entrant comes along and cherry-picks the bigger customers and all that is left are the mum-and-dad consumers, how does the utility ensure that the mum-and-dad consumers do not end up paying more or that the utility itself does not end up going backwards or making a loss on the government books? Managing that with the temporary access contribution is a good method. I just want to understand how that figure was arrived at, how long the temporary access contribution would continue for and what contracts Horizon Power has entered into that would apply to it.

With that, I do not think there is too much more. I am not sure about the justification that this bill is urgent on the basis of COVID-19. I imagine that in cabinet meetings there is a bit of a scramble for ministers to try to get their bills through, and obviously there has been a bit of success in this respect. I understand there are some contractual obligations or negotiations that require the bill to be passed by 30 June, which may be the reason that the bill has been declared urgent rather than it being related to COVID-19—perhaps the minister can explain that as well—and I can accept that for sure. Again, I think this is a good bill. It is a complex bill, and I look forward to the answers to the questions I have asked of the minister and the contributions of other members.

HON TIM CLIFFORD (East Metropolitan) [9.41 pm]: I am the lead speaker for the Greens on the Electricity Industry Amendment Bill 2019. First, this is a large and very complex bill and given the circumstances, I am going to do my best to be as quick as possible. If I had been given a bit more time, I would probably talk a bit more about renewable energy. I have always been a strong advocate for renewable energy and in the past I have been disappointed by the fact that we are not talking enough about renewable energy targets. It would have been great to see them in these reforms, but that is another matter, and I might mention it a bit later on. These reforms are required. Going back to what some other members were saying about the pros and cons of what is going on in the energy system, there is a storm on the horizon. Some of the reports about what is going on in the energy system say that by 2022, we are facing blackouts due to the large amount of solar penetration into the grid. Some of these reforms go a long way to addressing that issue, so I totally understand why this bill is considered urgent. The Greens fully support the bill, even though it does not have a renewable energy target.

It is important to note the previous government's approach to solving many of the electricity system's problems was to take to the election the potential sale of Western Power. I have spoken in this place before about the importance of the energy system staying in the hands of the people of WA, because we have seen what has gone on on the east coast of Australia with patchwork privatisation, failed delivery systems and things like that, which have only caused instability in the grid and a surge in energy prices. Although we have ageing infrastructure in WA within the south west interconnected system and in the north west interconnected system, this bill goes a long way to ensuring that we get with the times. After all, the traditional idea of an energy system is no longer a large centralised coal-fired power station. That is just not what will be happening in the future. Unless we are calling on the government to subsidise it, it is just not going to be an option. We are moving towards more modular systems. Different players working within WA have been advocating for different levels of reform. Disconnecting many of the outer-grid communities and networks in the south west interconnected system will go a long way towards not only stabilising the energy system, but also bringing energy prices down. We can look at Perenjori, for example, which has a large battery that has pretty much been set up as a shock absorber to prevent energy instabilities that cause blackouts. Changes to standalone power systems and storage devices are very welcome; we need to look at rolling out batteries across the grid. Going forward, I see the 6 000 to 10 000 connections within the SWIS potentially being fed off battery systems to address those issues. I see that as only the beginning of what will happen in the future

because, at the end of the day, the Collie coal-fired power station will not be there forever. We need to move into the twenty-first century and look at modular systems. Initially, we will start with large-scale larger batteries in the community and when the costs come down, we will have more penetration from home batteries on houses. People are really taking the power back into their own hands, which will cause better stability and lead to low energy prices. That will go a long way towards addressing the amount of carbon emissions from retiring coal-fired power stations, therefore reducing WA's emissions, which is welcome. Another reason why the Greens will be supporting this bill is that it addresses the issue of climate change.

A couple of weeks ago, I second read my Climate Change and Greenhouse Gas Emissions Reduction Bill 2020 for a net zero emissions target. It would have been great if it made more reference to how these energy reforms would work within the context of what was mentioned last year when the government's aspirations were laid out. That is a different argument. We will continue until we get through the current situation with the COVID-19 issues. As the previous speaker said, microgrids mean a lot more than what we have seen in the past. They mean more stability and they can better address bushfire mitigation. Long transmission lines that are unreliable and cost a fortune to maintain have caused bushfires, which are a hazard. If we move to a microgrid system, we will basically eliminate a lot of those threats within the community. I welcome that. Once we get started and allow more microgrids on the edge of grid, I can see it rolling on with a lot more independent communities within the SWIS. We have seen trials before, such as the one in White Gum Valley with reforms in strata title and peer-to-peer power trading. These reforms will go a long way. I am disappointed that it has taken until the last year of this government to see these reforms introduced, but given the extent of the reforms and the amount of work that has gone into the bill, I congratulate the government. Many people have worked hard in this space to make sure that we get on the path of a modular system as opposed to the large coal-fired power stations that we have had over the last century. Those ideas are going away. We have seen other countries move towards modular systems, which will be very good going forward. It will be good for not only renewable energy—we will see that uptick very quickly—but also reducing emissions, which is great. I am excited to see exactly what new technologies come out of these sorts of reforms. I will continue to monitor the way this is rolled out and I will continue to work with different players within the industry to see what is and what is not working. I am pretty sure that it has taken a lot of work for the government to get a lot of different players on the same page with this. We support the bill, and I will continue to talk about ensuring that we possibly see a renewable energy target introduced into Parliament one day. I support this bill.

HON RICK MAZZA (Agricultural) [9.49 pm]: I will also support the Electricity Industry Amendment Bill 2019. I also think that this is a pretty long bow to draw when it comes to COVID-19 as part of the emergency legislation that we are getting through. What this is really about is the reform of the electricity system within the Pilbara region. It never ceases to amaze me that what I see as a fairly simple arrangement of having a coal-fired generator, or some other form of generator, some transmission wires and then delivery to an end user gets very complicated. Electricity arrangements throughout Australia, whether it be in the south west or the Pilbara, are for some reason particularly complicated. Members only have to look at the detail in the explanatory memorandum to see that electricity generation, transmission and delivery are extremely complicated.

This bill seeks to reform what we currently have in the Pilbara. It will deliver some competition into the wholesale market, and I am all for competition. I do not think that we should have single operators when it comes to electricity, so competition is a good thing. But much like the south west, that competition will really relate only to heavy industry; it will not relate to domestic users or small business. Unfortunately, we will still have a monopoly at the actual retail end of electricity within the Pilbara. Also, the temporary access contribution, which was mentioned before, relates to a levy that will have to be paid to Horizon Power for its generation. Obviously, as it starts to lose market share, there will have to be some levy to it for its power generation.

A lot of the reform is also around what to do with excess power. My understanding of baseload power generation is that it needs to be running at a particular level most of the time. When power usage drops, it causes enormous problems for the power generator with what to do with the excess power. In the discussion that I had yesterday with the minister, Hon Bill Johnston, who rang me to have a bit of a chat about this, he said that at the moment there is no legislative framework in place for the use of battery storage or some sort of storage for the excess power. Where we have solar panels delivering power into the grid, that excess power has nowhere to go. Even though there has been some research and development going on with some battery storage, there is no legislative framework for the wholesale use of batteries. Therefore, I think the idea of having battery storage is a good thing. Also, probably for different reasons from Hon Tim Clifford, I think these standalone modular-type arrangements are good, mainly because of the vastness of the Pilbara area.

The town of Morawa, which is in the midwest, not the Pilbara, was experiencing significant problems with having power delivered on a regular and reliable basis, so it put in a standalone generator to be used when the power goes out. Having a modular setup for a certain area is a great idea so we can get away from poles and wires, as they create a few problems as well.

Overall, I support this bill. I would like to see, as time goes on, more competition at the retail end of power delivery both in the south west and the Pilbara. I do not know when we are going to get to that, but I think that a monopoly operation causes issues when it comes to costs. Having competition, the same as we have had in the gas industry, would be a good thing in the future. But to see these reforms take place in the Pilbara is a positive move; although, as I said, it is not, in my mind, directly related to any crisis but more of a reform. However, it is a positive move, and, hopefully, as we move out of this COVID crisis, it will help with some of the recovery in the economy.

HON AARON STONEHOUSE (South Metropolitan) [9.54 pm]: I will be very quick. I am having a hard time connecting the Electricity Industry Amendment Bill 2019 to anything even remotely COVID-19 related. I think the government is pulling a bit of a fast one on us by insisting that this has anything to do with the current COVID situation. Notwithstanding that, short of moving an adjournment of debate motion, I think we will be able to deal with this one here and now. It is quite a complex piece of legislation but, at least on the basic policy terms, the government will find that I agree with it.

This is not perfect or ideal, but it at least introduces some element of competition to the interconnected system in the Pilbara. Anywhere that some real competition and real consumer choice can be introduced is normally a win. It is a win for consumers and it will also be a win for industry, which can now enter the market, compete and start providing products to consumers. It has been pointed out that these will not be mum-and-dad consumers. They will not be providing energy to the retail sector. Most likely, it will be large commercial customers. But it is, at least, a step in the right direction. Other provisions in this bill facilitate the use of standalone power systems and energy storage devices within, I believe, Western Power's network. That is another reform that I welcome. As was mentioned by the previous speaker, anything that allows people to move away from the old poles and wires system to a more independent way of providing energy for their household is a good thing and is absolutely a move in the right direction. I, too, would like to see more competition opened up in the retail sector—not just in the Pilbara, but also in the metro area. Competition has been introduced into the retail gas sector, and it has been fantastic for consumers. It has resulted in lower prices for everybody. It has been great to see what competition does to drive down prices and drive up the quality of service. The same thing could happen in the electricity market if we just took away the fetters and restrictions and allowed new energy retailers to start providing competition to what is otherwise a large, overbearing, government-run monopoly that is unaccountable to its shareholder—that is, the taxpayer. I would rather we had a chance to properly scrutinise the details of this bill—it is quite a complex piece of legislation—but, at least on a basic policy level, I agree on the direction in which it is heading. We cannot let the perfect be the enemy of the good.

Debate adjourned, on motion by **Hon Pierre Yang**.