

ELECTRICITY REFORM, SOUTH WEST INTERCONNECTED SYSTEM

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

Regarding the Government's proposed Electricity Reform agenda and the subsequent final report released by the Electricity Reform Task Force on 14 October 2002, will the Minister advise -

- (a) how rural power customers on the outskirts of the South West Interconnected System will benefit from the anticipated 'competition' when they live in sparsely populated areas not likely to attract competitive enterprise;
- (b) how Government will ensure that it can meet the costs of upgrading poles and lines for rural customers on the South West Interconnected System;
- (c) who will be responsible for the cost of new power connections; and
- (d) who will be responsible for the cost of upgraded power connections?

Mr E.S. RIPPER replied:

- (a) For a resource-based economy like Western Australia, lower electricity prices are essential to improve the State's competitiveness and to encourage growth. In high cost areas of the South West Interconnected System, it is important to minimise electricity costs while maintaining the uniform tariff policy for Western Australian electricity customers. The Government's electricity reform programme will deliver these outcomes through the averaging of network access charges and the loss factors across the SWIS. This means retailers will be able to equally compete for customers at different locations on the SWIS because they will pay the same access costs irrespective of whether those customers are on the outskirts of the SWIS or in densely populated parts of the grid.
- (b) State Networks will receive a commercial return on its investment, which will ensure that it has the funds to maintain and upgrade the network assets. Costs of upgrading poles and lines for rural customers on the SWIS will be borne by State Networks and recovered through the access charges. The proposed Economic Regulation Authority will determine the reasonableness of those access charges. Compared to the current situation, State Networks focus will be on ensuring that reliability of supply is maintained through appropriate networks investment.
- (c) State Networks will be obliged under its licence to connect any customer within its licensed area when predetermined technical and economic conditions are met. These conditions, which will apply within the SWIS and other areas, will be set out in State Networks' consumer connection and extension policy approved by the Economic Regulation Authority. The Government has also established a Regional Electricity Supply Committee to develop specific criteria for connecting to and upgrading Western Power's non-interconnected systems, the North West Interconnected System and the areas on the outskirts of the SWIS. The Committee will report to me by mid 2003. The criteria developed by the Committee will provide input, particularly in relation to the areas on the outskirts of the SWIS, to the State Networks' consumer connection and extension policy which will be developed during the electricity reform implementation phase.
- (d) State Networks will be responsible for upgrading the system to maintain system reliability and quality of supply. State Networks will be obliged to upgrade the system to accommodate new connections where the technical and economic conditions set out in its consumer connection and extension policy are met.