

ELECTRICITY CORPORATIONS AMENDMENT BILL 2013

Second Reading

Resumed from 27 November.

HON KEN TRAVERS (North Metropolitan) [3.11 pm]: It is appropriate that we came into this chamber in the dark. Mr President, until you brought light into the chamber this afternoon, we were all in the dark! That was a symbol of the legislation before us this afternoon, because with the Electricity Corporations Amendment Bill 2013 we are still in the dark!

Hon Michael Mischin: Some of us are going to stay dim, aren't we?

Hon KEN TRAVERS: I would never make those comments about the Attorney General and his colleagues, but if Hon Michael Mischin wishes to, then so be it! I would never make those comments about government members, but I will make that comment about this legislation. Ever since this bill was introduced in the other place, this Parliament has been kept in the dark about it, and not a single light—not even torchlight—has been shone on this bill to demonstrate how this legislation will be good for the people of Western Australia. There is not a single document to demonstrate how this legislation will actually be good for the Western Australian economy or for Western Australian consumers.

The PRESIDENT: Just to clarify things, the member is not the lead speaker and as per the notice paper he has 31 minutes remaining on the time allocated to him. Something has gone wrong with the electronic timing device, so we do not have the remaining speech time showing.

Hon KEN TRAVERS: Mr President, I suggest we go until I finish. I will try to keep to 30 minutes.

The PRESIDENT: The clerks at the table will keep the time, and perhaps the Clerk will indicate to me when you have five minutes and then two minutes to go; it might help.

Hon KEN TRAVERS: I will also use the clocks in the chamber, Mr President.

The PRESIDENT: That is so everybody knows what is going on.

Hon KEN TRAVERS: Mr President, there is always the option for me to seek an extension of time, particularly as this is such an important piece of legislation that needs to be properly scrutinised.

Before I was interrupted by the processes of the house last week, I had briefly outlined the history of electricity reform in Western Australia and that in 2001 the Labor Party went to the people at an election outlining what it proposed to do. That was at a time when, apart from the Northern Territory, Western Australia had the highest energy prices in Australia. However, as a result of electricity reform in Western Australia, that situation had changed by the time of the 2013 election. I refer to the Liberal Party policy document that it took to the 2013 election. I will come back to the opening remarks in that, because it contains a dishonest statement. The document states —

Having made the difficult and unpopular decision to increase electricity prices over the past four years, the worst of it is now over. Despite the price increases, Western Australia (at June 30 2012) was the second cheapest state.

What does that Liberal Party document tell us? We know we went from being the state with the highest energy prices, second only to the Northern Territory in Australia, to the state with the second-lowest energy prices. That occurred in Western Australia, a state that is extremely difficult to service because it has a very expensive system. As I pointed out, Western Australia has the tariff equalisation charge, which means that consumers in the south west interconnected system pay a higher price for their electricity to fund the cost of providing a uniform tariff across not just the SWIS, but also regional Western Australia, which has energy provided predominantly by Horizon Power.

I also commented on the dishonesty of the statement contained in that document, which reads —

Having made the difficult and unpopular decision to increase electricity prices over the past four years ...

In 2008 the Labor government went to an election making it clear that it would increase the price of electricity over the next four years. We were very clear about our intentions. The Liberal Party ran radio advertisements complaining and attacking our proposal to increase power prices, yet once elected it proceeded to increase electricity prices by significantly more than outlined by the Labor government prior to the 2008 election. It was not the case that the Liberal Party was making a difficult and unpopular decision, because Labor had made the tough decision before the 2008 election. The Liberal Party lied to the people of Western Australia in 2008, just as we saw it once again lie about so many key issues at the 2013 election.

The other question that comes into play is that those changes were made as a result of the electricity reforms back in 2001, whilst maintaining a state-run network and involvement in the system, bringing a market-based approach to the system. A market-based approach seems to be something that the Liberal Party readily opposes these days in so many different areas. Whenever the Labor Party proposes a market-based approach, the Liberal Party opposes it. One way of meeting mandatory renewable energy targets is to have a market-based approach and to have a price on carbon. Of course, we know that the Liberal Party is opposed to that, but we understand it still supports—although it might be tenuous these days—reaching those mandatory renewable targets. In fact, those targets are part of the driver of the cost structures that are occurring in Western Australia.

Hon Kate Doust referred to the paper about the energy market in Western Australia that was sent to all members by Ky Cao. In that paper he estimated that the market-based approach in Western Australia produced some \$200 million of annual savings from competition. The minister has not shown us a skerrick of evidence to indicate how this legislation will assist in achieving savings. In fact, this afternoon I will make it very clear that this bill will again drive prices back up. There were a lot of very good comments in Mr Ky Cao's paper. It included a graph of the south west interconnected system in terms of business electricity tariffs versus cost inflation. The argument was put in that paper that cost recovery was achieved well before 2011–12; I suspect that that is probably right. We could find out whether that is correct by allowing full contestability in the market. As members know, at the top end of the market there is only very limited contestability. I acknowledge that we have to be careful about how we describe this, because although the vast majority of consumers are not in the contestable market, the amount of energy they use is different. When we talk about these things, we either have to talk about the amount of energy that is in the contestable market or the number of consumers. If we look at the number of consumers, clearly the vast majority are not in the contestable market. If we opened up full retail contestability, it would be a very interesting exercise to see whether there are power providers out there that could produce and provide energy significantly more cheaply than this government has allowed to be provided over the last five years.

I find it fascinating that, despite all the government's protestations about how it really did not want to increase energy prices, that it was against its best wishes and that it would have preferred to not put up energy prices, we know that the government continued over that whole time to take significant sums of money out of the energy utilities by way of dividends. In fact, it increased the dividends that would be paid by all its government trading enterprises. If my memory serves me correctly, the energy utilities were among those for whom the dividends were increased, and in Western Australia the energy utilities actually borrow money to pay their dividends. Then, because of the increase in dividends, there is less money held within the organisations to go back into investment. It would be an incredibly complex and difficult process to go through and do the sums to work out exactly what end result that has on the tariff; but whether it is large or small, it will nonetheless have an effect on the tariffs that are finally charged. It might be only a relatively small increase, but when prices are increased to the degree that this government has increased them, those measures are still going to be pretty important.

I will not go over the history of all the failures of the previous Minister for Energy and all the costs that he has put into the system as a result of his incompetence and the chaos that occurred in his portfolio, but there is no doubt in my mind that one of the reasons people are paying higher prices today is because of the way in which this government has mismanaged the portfolio and failed to apply market disciplines and rigour to the portfolio. The end result is that the government now needs to find an excuse and build up a straw man to somehow create the argument that these increases are not its doing; and that is what this bill is about. In my view, that is the sole reason we have this bill before us today. The fact is that the government cannot produce a single document to justify this legislation, other than a letter, which I will talk about later, that was claimed as a key justification. The government needs to try to create the public illusion that the power increases were caused by something other than the government's incompetence, mismanagement and gouging. It is my view that this legislation is simply a political tool that will have potentially wide-ranging impacts on the state of Western Australia in respect of energy prices for the ordinary, everyday consumer of power.

I look forward to the minister's reply to the second reading debate and to the Committee of the Whole, when the opposition will be given the opportunity to go into great detail and ask the government to put on the record how and why it thinks this legislation will achieve the outcomes it says it will. I found it fascinating to compare the second reading speech and a press release put out by the "clean-up" Minister for Energy—the minister who was sent in to try to clean up the energy portfolio for this government. It struck me that there were a number of inherent contradictions between the two documents, and I will take some time to go through some of those contradictions.

I refer firstly to the condensed version of the second reading speech. What were those books we used to get in primary school that would give us the summary of the story, but they were not quite as long as the original?

Hon Sally Talbot: Was it *Reader's Digest*?

Hon KEN TRAVERS: Yes, the *Readers Digest* version of the second reading speech, but I meant the abridged version, so one did not have to read the full story —

Hon Sue Ellery interjected.

Hon KEN TRAVERS: No, I did not; maybe I should have, and then I probably would have done better in English than I did, Hon Sue Ellery; that is why I cannot remember the name of it. I was just trying to test whether anyone else in the chamber remembered them, because that might have been a good sign that they had.

This house was provided with a condensed version of the second reading speech, in which Hon Peter Collier stated, in part —

It is intended that the merger of Synergy and Verve Energy will achieve cost efficiencies and reduced corporate overheads in the merged business.

Further along, he stated —

The government is committed to sustained private sector participation in the electricity sector. To achieve this, the merged entity must be subject to regulatory constraints. The amended act will allow regulations to be made to segregate certain functions within the merged entity.

We are going to create a merged entity but then, within that merged entity, we are going to create two separate organisations, effectively, with firewalls between them. The second reading speech goes on to talk about regulation-making powers for the wholesale trading of electricity by the merged entity —

It is intended that this power will be used to oblige the merged entity to offer a range of standard wholesale electricity products on a non-discriminatory basis across the merged entity's own retail business unit and other wholesale electricity customers. The purpose of the standard products is to provide the private sector with access to electricity on non-discriminatory terms and to mitigate concerns of private sector market participants.

We are going to merge these two entities, but then we are going to create a whole structure that makes them operate as though, within that merged entity, there are two completely separate entities. We will somehow then have all these Chinese walls operating within this organisation to give the private sector confidence that the market power of the combined Verve–Synergy entity will not be abused.

I turn now to a press release that was put out by the current Minister for Energy on 16 October 2013 and that states, in part —

Energy Minister Mike Nahan said the merger would create a financially stronger utility, which would boost the State's energy security.

It goes on to quote the Minister for Energy as saying —

“Under the existing system, we have Synergy and Verve Energy making decisions in isolation and that has ultimately increased the cost of the power that they on-sell to household and business customers.

“The merger of Synergy and Verve Energy, in conjunction with other changes, will drive efficiencies that will include the new entity being able to optimise its portfolio of power generation and energy purchases.”

These statements are very simplistic, but unfortunately all this house has to go on is the second reading speech and a couple of press releases put out by the minister. When we listen to those two entities, we get a very clear picture that there is an inherent contradiction in what the government is saying will happen. On the one hand, it is going to open it up and free it up to allow the private sector to still be involved; and, on the other hand, it will close it down and make them work together as one entity so that they do not have these inefficiencies and they are not working in isolation. Again, when we go through this bill, I look forward to the government explaining those two inherently contradictory comments. The government intends to segregate certain functions within the merged entity but the whole point is to try to bring these merged functions together. I am looking forward to that explanation from the government because I think it is an inherent contradiction. I come back to the key point that I made a short while ago; that is, there is absolutely no doubt in my mind that this bill is nothing more than an attempt by this government to create a straw man; somehow the problems it had over the past five years are not of its making—it is somebody else's fault. That is why these inherent contradictions will be put forward to us to try to explain and help deliver this straw man.

As I said, I have looked at this matter and I cannot see where the government has clearly outlined the benefits of this legislation in any documentation. Other than glib lines that are then contradicted in other statements it makes later, this government has not provided any documented evidence to support the claim that this legislation will be of benefit. It is very dangerous to tamper with the electricity market. At times members opposite have

complained about the amount of money that Labor spent on its disaggregation process. That is because energy is such a fundamental part of the economy. If we get it wrong, not only will that cause stress to consumers who have to pay more but it will damage the industry.

I remember talking to the president of one of the local P&Cs in the northern suburbs who owned a lunch bar. He was amazed at how much electricity a humble lunch bar uses. When we think about it, there is a lot of refrigeration and cooling in a business like that. I think that business used so much electricity that it started to come into the contestable area of energy. It is important to get the energy policy right. The amount of money that a lunch bar pays for energy is a significant part of the cost structure that that business has to deal with. If the government is going to make changes, because of the volumes and the dollars involved, it needs to spend a bit of money to get it right. We have had this constant toing-and-froing within the government for four and a half years of talking about this merger and then it is not on, then it is on and then it is not on. We go to the election and it does not say whether it is on. The last clear and unequivocal statement from the government that I can find was from the now-discredited former Minister for Energy saying that it was not going to happen and there was not going to be a merger. That is the policy that the government took to the election. Immediately after the election, lo and behold, this bill is before us again.

There is no business case and there is no benefit. That information has simply not been provided to us as a Parliament. It is not even one of those cases in which this government often treats the Parliament with contempt but at least provides that information to its own backbench. On this occasion I do not think that the information is even being provided to the government backbench.

I mentioned the dividend policy earlier. There is another issue I wanted to touch on briefly that is probably of greater concern in the way in which energy policy is run in Western Australia. This bill will not fix that problem. Over the last five years we have seen a massive spiralling out of control of state debt. When we look at the history of state debt in Western Australia, a headline figure is generally given for state debt. Interestingly, the biggest component of state debt has always been within what is called the non-financial public sector or what I think most people would know as the government trading enterprises; that is, the port authorities, entities such as Verve, Western Power, to a lesser degree Synergy—I doubt it is a huge contributor to state debt, although it would have some debt—and Horizon Power. Traditionally, they are the organisations that have carried the majority of state debt. I am not so worried about debt in organisations like that so long as a sound business case has been developed prior to the committing of that debt, and so long as the risk is managed within that debt and we have a reasonable debt ratio with those organisations. In fact, the debt has grown in those organisations over the past five years under this government. That is partly because as a result of the disaggregation in the 2000s, the private sector is now taking the investment risk and making the investment decisions in respect of power generation. That was certainly always part of the purpose of the reforms. There was recognition that the capacity of the state to continue to be the borrower and the developer of the future power needs of the state would become increasingly difficult. I think we have seen a general constraint on debt in this area.

For the information of new members, a very important report was tabled in the last Parliament from the Standing Committee on Public Administration about the power poles issues. Members may have recently seen another Auditor General's report brought down on that matter. The Standing Committee on Estimates and Financial Operations looked at some of the issues around this whole question very briefly as a result of the public administration committee report. There is no doubt in my mind that one of the big constraints that was telling about the government allowing Western Power to fix the problems it had was that it did not want to allow it to have access to debt; the government was trying to constrain the total public sector debt. This bill will not do anything to assist that problem; the government needs to get its expenditure in the general government sector down to assist that problem. If we start to track where it is going, in my view, it will not be too long before general government sector debt will overtake non-financial public sector debt as its total net debt for the state will be bigger. Why is that a problem? It is a problem because organisations such as Verve, Synergy and Western Power have an income stream to pay for the debt. If there is a sound business case, there is an income stream and the organisation is able to manage that debt. The general government sector relies on the consolidated account to repay that debt. Those are the issues that should be taxing the minds of the government and this Parliament; it should not be putting forward a bill like this.

There are two other areas I want to cover this afternoon in the time I have available. The first is the change to the requirement that Horizon Power is based in a regional centre. I suspect we will hear from the government that it has never worked. I do not accept that argument. More importantly, I think that it worked but it has been allowed to deteriorate over the last five years. Secondly, if the state government adopts a defeatist approach and gives up trying to get head offices located and running in regional WA, how can we ever expect other major organisations to do so? We will continue to have the Perth-centric community that we have. Members who support regional development, as Hon Nigel Hallett clearly indicated in the past that he does, will support Labor if we seek to remove those amendments to this bill.

I have a few more comments on this, but in light of the time running down I will briefly touch on the only document that has been provided to us that it is claimed supposedly justifies this; the infamous letter, apparently sent in March last year, regarding Verve and Synergy from the chairs of Verve and Synergy. The government of the day—particularly the Premier—consistently told us that receiving the letter from the chairmen of Verve and Synergy, in which they wrote to the Premier to tell him that the two entities should be amalgamated, was a telling point. When the letter finally came out —

[Member's time extended.]

Hon KEN TRAVERS: I appreciate the chamber giving me this opportunity. I do not think I will need the full 15 minutes.

It was argued that the letter was the seminal document on which the changes we are hearing today were based. I would have thought in a seminal letter like that the chairs of the two organisations would have outlined to the Premier of the day a strategy whereby merging these two entities would produce clear benefits for the state of Western Australia, and that they had done considerable work to justify the merger, which would lead to a better outcome for the state government-owned entity but would not impact on private sector involvement in the energy market. There would still be willingness and a keenness to have the private sector involved. I have read the letter. I picked it up and I read it a second time to see whether I could find any of those sorts of comments. I will not go through it clause by clause, but I welcome members on the other side of the chamber—if they have not got a copy, I am sure we can get them one—to point out to me where in this letter it clearly states that those two chairmen clearly believe that the best outcome for the state is that the entities merge or where it shows that they or their organisations have done any work to justify why this will occur and why it would be a good outcome for the state of Western Australia. I would welcome such a contribution during a contribution to the second reading debate.

My view of this letter is that it is a cautionary letter about the process. The chairmen took the time to meet and wanted to outline what they saw as some of the issues that needed to be addressed should the government want to proceed down that path. It was not a letter about what should happen; it was a cautionary letter about what should occur before it happened and what the government needed to do. How the Premier could turn that into a telling point that changed his position—I could go through the many quotes from the Premier in Parliament and in the media in which he argued the letter was the basis for his decision—and then slip out by simply saying that it was a slight overstatement is extraordinary. It was not a slight overstatement; it was a bald-faced misrepresentation of this letter. I am glad that the letter finally saw the light of day, so people can see every stage of it. It raises a range of questions about what needs to be done. Interestingly, the attachment to the letter noted —

... that the existing generator contracts with Synergy will need to be honoured, as these are underwritten by the Government. We will also need to explain how new generation will be planned and procured in the future, with a mix of private and public investment most likely being required.

That is what they said. But where is it? Where, to this day, do we have a single statement, document or piece of information—even from the government—that shows that will operate under this new system? The attachment to the letter headed “Issues Identified” has a telling comment that stuck out to me; I quote —

The group discussed the possible objectives of the Government, over and above the obvious reduction in overheads.

The letter refers to “the possible objectives of the government”. This was written without them even knowing the objectives of the government. They were in the dark then and we are in the dark now. What is the real objective of the government in this regard? We were told it was about overheads. The red herring was thrown up that somehow by reducing the number of board positions we would save money, and then we find that the bill actually increases the number of board positions. The total number of board members for energy utilities in Western Australia will be the same as today if this bill passes. The government said that it would reduce conflicts between Synergy and Verve. But do those conflicts actually bring tension to the market and create the environment that allows the private sector to compete in that marketplace; that it delivers economies of scale through joint fuel purchases? The very things that I suspected, come later in their comments: that they were saying they would try to build Chinese walls in the organisation to prevent market collusion because it will be such a dominant player in the marketplace. They say that they have identified these things but they do not provide the solution to them, their impact or how they will work.

Another part of the letter that jumped out at me was the point at the very end; I quote —

The CCI, CME and ESAA ...

I think ESAA is the Energy Supply Association of Australia. The letter continues —

... have already expressed their opposition to the merger, claiming it will be a retrogressive, anti-competitive step. It is also anticipated that the ERA will voice its opposition. Consequently, it would be prudent to be well prepared and to arrange briefings to counter the negativity coming from these groups.

It does not say that we should sit down with these groups to work out why they might be opposed to the merger, but just to be prepared to counter any negativity.

I suggest that the negativity is not just for the sake of it; it is because each and every one of those organisations actually believes this to be a bad move for Western Australia. The irony of it is that it has been identified that preparation was an issue that needed to be addressed. Are we prepared? Is the government prepared? No. Does it have any documentation to support its proposal? Does it have anything it can give to us today to show why the arguments of the Chamber of Commerce and Industry of Western Australia, the Chamber of Minerals and Energy, the ESOs—energy supply organisations—and all those other industry associations and their “negativity” are wrong? It does not, because I think it knows in its heart of hearts that it does not have arguments to defeat the case being put by those organisations. Although I accept that from time to time governments do things that will upset stakeholders, normally out there in the community somewhere, if it is a good proposal, there will be a group advocating for that reform. Where is that group? Other than the Premier of the state of Western Australia, where is that group? Even the Premier’s former Minister for Energy was not advocating for that reform. We know that Hon Dr Mike Nahan, the current Minister for Energy, has spent his life advocating for the exact opposite of what he is doing today. Where is that single lobby group? Where is even that individual who is prepared to stand and argue that these changes will be good for the state of Western Australia? I have yet to find or see that individual, and until the government can provide one, my view is that this legislation should be banished because it is nothing more than a political exercise, and we should not be playing politics with our energy market. With those comments, I make it very clear that I will vigorously oppose this bill at every stage of the debate.

HON SAMANTHA ROWE (East Metropolitan) [3.51 pm]: I also rise to make a contribution to the second reading debate on the Electricity Corporations Amendment Bill 2013, and to place on the record some of my concerns in relation to the merger of Verve and Synergy. Without doubt, energy is a very important political and economic issue for the state of Western Australia. This is a major piece of legislation on which we have very little information to properly review it and possibly pass it. I cannot see how we could not oppose this legislation, given the very little information provided. We know the bill contains amendments to the Electricity Corporations Act 2005 that will implement the merger of the retail arm, which is currently trading as Synergy, with the generation arm, currently trading as Verve. The government proposes to merge the two entities and have them trading as one corporation by 1 January 2014 because it believes a merger of Verve and Synergy will somehow achieve cost efficiencies and reduce corporate overheads. We are, however, yet to see a completed business case or any sort of cost–benefit analysis to demonstrate that that will be the case—that it is in fact true. Even the minister cannot say with any certainty how it will benefit Western Australians. I quote from an article that appeared in *The West Australian* on Wednesday, 30 October, titled “Power merger cost kept secret”, which reads —

Energy Minister Mike Nahan cannot say how much recombining Verve and Synergy will cost or how much it will save—but insists the merged power company will be better for taxpayers than existing arrangements.

Where is the proof? If the minister cannot explain the cost benefit of merging Verve and Synergy, who can?

The bill will also discontinue the Electricity Retail Corporation and vest its assets, liabilities and rights in the Electricity Generation Corporation. The continuing electricity generation arm will then be renamed the Electricity Generation and Retail Corporation, and at the time of the merger, current Synergy employees will join the new organisation of the Electricity Retail and Generation Corporation. The bill will also provide for regulations to segregate certain functions within the new organisation, and to approve wholesale product arrangements for it. It is really important that there be transparency in the new organisation; if the merger of Verve and Synergy goes ahead and those employees are all working under one roof, transparency will become a real issue. The bill also contains several amendments supposedly designed to provide more flexibility in terms of governance, and to provide the option to remove limitations on where in the state the electricity corporations are permitted to function.

In 2006, the then Labor state government split the state’s single electricity utility into four separate agencies to generate, distribute and sell power. Western Power was split into what we now know as Verve Energy, Synergy, Western Power and Horizon Power. In 2004, the state Labor government also established the Independent Market Operator to operate WA’s wholesale electricity market, as well as ensuring that we had sufficient capacity to meet peak demand in the industry. That initiative was undertaken to encourage private sector involvement in the generation and retailing of electricity and to open up the market to wider competition. We

now have the Barnett Liberal government wanting to re-merge Verve and Synergy without consulting industry or any relevant stakeholder and without doing any of the normal, necessary due diligence one would expect when taking on such a proposal. We know that costs will not be able to be kept down under this merger; it will actually stifle competition. The benefits of a competitive market are well known. The WA Independent Power Association has come out in opposition to the merger, and its website reads —

Benefits of a competitive market

- Increased competition in power generation and retailing, placing downward pressure on costs and prices.
- Private sector investment in energy infrastructure, freeing up government funds for much needed social infrastructure.
- Innovative market-based solutions to manage fuel constraints.
- Long term jobs created, many in regional areas.
- New skills brought into WA — project development, financing, engineering, environmental management.
- Decentralised sources of power generation in regional areas.
- Diversified ownership of assets.
- Reduced risk of disruption to supply.

Industry has a lot of arguments about the benefits of a competitive market, but the merger of Verve and Synergy will stifle it.

Returning to the matter of absolutely no consultation with industry or stakeholders taking place, neither of the two organisations involved in this merger, Verve and Synergy, have been consulted. Synergy is WA's largest energy retailer, with over one million commercial-industrial-residential customers. It is the primary power supplier in the south west of Western Australia. It generates about \$2.4 billion. It sells the majority of the electricity that is traded in the state and around half of the contestable gas load. Synergy has not been consulted and been given the opportunity to be part of the planning process for this significant legislation.

Verve Energy is the leading electricity producer in Western Australia, with major power stations in Collie, Kwinana, Cockburn and Pinjar. It also generates electricity from wind farms in Albany, Esperance and Kalbarri. Verve feeds its electricity into the south west interconnected system. It also has contracts with other participants in the market. However, the majority of its electricity is sold to Synergy. Verve has not been consulted at all throughout this process.

I refer now to an article in *The West Australian* on 1 November this year. The article is actually about a letter, but I will not go into that. The article is headed "Letter loses power to back Premier's claim." The article states, in part —

The letter certainly raised serious concerns about the industry and discussed the merger. But it was clearly a response to Mr Barnett's continued public speculation that he wanted to merge the pair.

The chairmen, —

That is the chairman of Verve and the chairman of Synergy—

sniffing the political wind, wanted a say in a decision that appeared to be imminent but in which their corporations had had no input.

They wanted to hear from the Premier what his objectives were—and they recommended due diligence, a cost-benefit analysis and consulting advice on the structure of the merged entity and the market. As events have shown, none of that happened.

The Economic Regulation Authority of Western Australia is another body which has not been consulted and from which advice has not been taken. The ERA is an independent body that regulates the monopoly aspects of the gas, electricity and rail industries. It is also the licensing provider for gas, electricity and water services. The ERA inquires into matters referred to it by the state government. The ERA is also responsible for the retailing of gas and surveillance of the wholesale electricity market in Western Australia. In essence, the two main functions of the WA Economic Regulation Authority are to act as the economic regulator, and to be an independent and transparent advisory body to the state government. The ERA has given quite a lot of advice to the Barnett Liberal government on this merger. However, this advice appears to have been ignored, for whatever reason. The ERA has come out fairly strongly in opposing the Electricity Corporations Amendment Bill.

I refer now to an interesting article on the Engineers Australia website. The article is titled “More changes urged for WA’s electricity market”, and it reports the view of the chairman of the Economic Regulation Authority, Lyndon Rowe, on the merger of Verve and Synergy. The article states, in part —

Mr Rowe told his engineering audience that household electricity bills had risen some 57% since 2009. He warned that more rises are likely. ...

...

He explained that WA’s wholesale electricity market (WEM) had become more competitive since Western Power was split into Verve, Synergy, Horizon and Western Power.

“In our view, the ERA’s view, the outcomes in the WEM over the last five-and-a-half years since it started indicate that the market functions well to the benefit of consumers,” he said.

“Although those changes have been successful, more changes are necessary, but the changes need to focus on continuing to make the market more competitive.”

...

He said changes to the WEM that weren’t needed would be any that would reduce competition and the efficacy of the market.

“Unfortunately, in the view of the ERA, there is one such proposal being discussed, and that is the proposal to merge Synergy and Verve,” he said.

He said no clear case for a merger had been published and although there were some suggestions that there would be savings in corporate overheads, these would be insignificant ...

“The ERA has calculated that any savings in overheads is likely to amount to less than \$3 for a typical residential customer’s annual bill,” he said.

That is clearly an insignificant amount of savings. As members have heard, not just from me but from my colleagues, the minister cannot even state on the record what it will cost the government to undertake this merger and what savings will be achieved.

I have about 20 concerns about this merger. I start with the fact that no business case has been provided for this merger. Not one study or report has been undertaken that recommends a merger between Verve and Synergy—at least not one that has been presented to us in this Parliament. The government does not have a cost–benefit analysis that it can share with us so that we can scrutinise it and do the proper due diligence. The government cannot say how much this merger will cost, nor does it know how much it expects to save from this merger. We have not seen a regulatory impact statement. The Oates report of 2009 did not recommend this merger. The strategic energy initiative did not recommend this merger. We are just being asked to take the Premier’s word for it. That is because there is no business case and there is no cost–benefit analysis for this merger. I do not know of any other business or industry organisation that would operate in such a sloppy manner as to put forward a proposal to merge two organisations without putting a business case and without putting a cost–benefit analysis that we can review.

The private sector is opposed to this legislation. I refer to an article in *The West Australian* of Tuesday, 29 October headed, “Details kept from public on crucial Bill”. The article states, in part —

“If you’re an investor, the Government is saying your interests are protected by these regulations—which we haven’t seen,” shadow energy minister Bill Johnson said.

Perth Energy managing director Ky Cao predicted a “capital strike”, with the private sector unwilling to invest in new power stations. He said about one-third of the State’s generating portfolio would need to be replaced in the next 10–12 years.

Again, it is hard to find anyone who actually supports the merger. Investors in the energy sector and their lobby organisations are opposed to the legislation. They see this as being the end of an investment climate that would allow them to profitably invest. The WA Independent Power Association, which I referred to before, slams the re-merger of Verve Energy and Synergy. The IPA was established in April 2012 and counts organisations such as Alinta Energy, APA Group, Collgar wind farm and Griffin power among its members. They all supply wholesale electricity to the WA energy market and have come out slamming the proposed merger. WA IPA chairman, Richard Harris, said that there was a misconception that merging Synergy and Verve would bring down electricity prices. He states —

“The savings, if any, would amount to less than 0.4 per cent of a typical residential electricity bill, or around \$5 per customer per year.”

“The fact is that Verve’s plant is ageing and inefficient, and costs more to run than the newer infrastructure of independent power providers.”

“We believe that increased competition in power generation and retailing will place downward pressures on costs and prices. It will also lead to innovative market-based solutions to address rising fuel costs.”

Other members of the WA IPA are ERM Power and NewGen Power. All members have currently invested more than \$2 billion into the WA energy market since 2006, and provide 40 per cent of the overall power generated in the state’s main grid. Among all the different players we are still finding it really hard to find someone who supports the Electricity Corporations Amendment Bill 2013.

It is worth noting that no-one has invested in a new power station for several years and none is currently in the planning. While WA is currently safe from energy shortages because our total consumption is falling, the problem may become quite acute over the next five years. Renewable energy investors are also opposed to the proposal because they believe that they will have less opportunity in a less competitive market. The Sustainable Energy Association has come out opposing the legislation and I believe it has done so in a consistent manner. In a media release on its website, the chief executive, Kirsten Rose, states —

“Energy security is best served in a competitive market with a diversity of sources and suppliers,”

“As a business chamber that promotes the development of innovative clean technology, SEA supports a market system that opens up greater opportunities for its members.”

“Regrettably, today’s announcement by the State limits those opportunities.”

As we have heard, there is no guarantee that this merger will keep electricity prices down. I have not come across anything to the contrary. The fact is that the Western Australian Chamber of Commerce and Industry and the Chamber of Minerals and Energy also have come out opposing this legislation. They put out a press release on PerthNow in March last year, which reads —

Key WA businesses and mining lobby groups have raised serious concerns with the State Governments mooted re-merger of electricity utilities Synergy and Verve.

The State Government’s plan to re-merge Verve and Synergy is poor policy that won’t be backed by the WA business community, Chamber of Commerce and Industry chief executive officer James Pearson said.

The CCI is disappointed that the government has not consulted business and industry before embarking on such fundamental legislation. The Chamber of Minerals and Energy has also come out opposing the legislation. Chief executive Reg Howard-Smith has made the following points —

“The suggestion that re-merging Verve and Synergy will put downward pressure prices has not been demonstrated.”

“No independent analysis of the economic impact of re-merging Verve and Synergy has been undertaken.”

“At a time when governments all around the world are adopting policies to increase competition, we are stepping back into the dark old days of state-owned utilities dominating electricity markets.”

“The idea also makes a mockery of the State Energy Initiative process that has engaged industry and government for the past two years as no mention of a re-merger has ever been raised.”

That is the private sector: industry associations, stakeholders—everyone. Everyone is opposed to the legislation that is before us. The Barnett Liberal government has already broken its promise to keep electricity prices at or around the rate of inflation. The government went to the state election campaign in March this year saying that it would not increase electricity prices. Shortly after being returned to government, we are seeing electricity prices increase by four per cent. The rate of inflation is 2.57 per cent; that is hardly close to the four per cent that it has been increased to. Families are already doing it tough and trying to manage an overstretched budget. Residents in my electorate of East Metropolitan Region are already struggling to pay their bills. The Treasurer turned around earlier this year and said, “Oh, well, four per cent is near enough to the rate of inflation of 2.5 per cent.” That is insulting to those people who are already struggling to pay their bills. They were on the phone to me during the election campaign saying, “Sam, we have to make the decision about whether we turn on our air conditioner in summer because we can’t afford to pay the bills.” A lot of these people live in Homeswest accommodation, so they are not always properly insulated properties. They are already starting from behind because when they turn on their air conditioner it has to work twice as hard to keep them cool. Turning on the heater in winter is not always an option. People, pensioners in particular, have been on the phone to me, saying, “There are days in

winter when we cannot get out of bed because it is warmer to stay under cover and we can't afford to turn the heater on." When we are asked to take the Premier's word that this legislation will provide cost savings for consumers, it is a little hard to do when we know that the government has already broken 40-odd promises. We cannot stand here and say that we will take the government's word for it when WA consumers will be the real losers out of this merger. I am not prepared to support legislation that cannot guarantee that electricity prices will be kept down.

The minister may be able to answer this question when he stands to make his reply to the second reading debate. Under clause 35, from the explanatory memorandum on page 12 it states —

The new section 206 provides that all staff of the merging corporation (the current Synergy) are transferred to the Electricity Generation and Retail Corporation (the merged entity) at the time of the merger. This transfer does not constitute a retrenchment or redundancy.

That is all very well, but can the Minister for Energy or the Premier give a commitment to the opposition that no staff member will lose their job due to the proposed merger?

I want to refer to an article from the Smart Energy Universe website headed "Remerger of Verve and Synergy Bad News for WA Households", which states —

The announcement by the Barnett Government of a proposed remerge of power utilities Verve Energy and Synergy will reduce competition, risking higher, not cheaper, energy bills for Western Australia ... households. Energy Supply Association of Australia ... CEO Matthew Warren said WA businesses and households will be worse off if Premier Barnett's proposal to merge the two utilities proceeds.

It goes back to my earlier point: WA consumers will be the real losers out of this merger. That is serious. We have not had the time to properly go through this legislation with any cost-benefit analysis or any business case before us, so how are we meant to scrutinise this legislation in an effective manner? We are meant to be the house of review, not of haste. It would be very helpful therefore to see some of this information before we pass the bill.

I will conclude my remarks there, Mr President.

HON SALLY TALBOT (South West) [4.21 pm]: Thank you very much, Mr President. Are we still working without the clocks?

The PRESIDENT: Yes.

Hon SALLY TALBOT: I will do my nine minutes to start with.

The PRESIDENT: Persevere. I am told that every effort is being made to get them sorted.

Hon SALLY TALBOT: Thanks, Mr President.

Hon Stephen Dawson: I hope you paid the power bill!

The PRESIDENT: Maybe we have not!

Hon SALLY TALBOT: I will do my best. We do not realise how much of an aid it is to planning our speeches until we have to do without it.

There is a very famous line in one of the first episodes of *The West Wing* around 1999 when one of the characters says, "There are two things in the world you never want to let people see how you make 'em—laws and sausages." I have to say that line came to mind when I took a look at this bill to re-merge Verve Energy and Synergy. I have to say, Mr President, as you probably very well know coming from Margaret River as you do, that sausages have come an awful long way since 1999. I am sure that you wander into your local butcher shop regularly and see things like chicken and ricotta sausages and lamb and rosemary sausages.

The PRESIDENT: Member, I just remind you that the Margaret River Gourmet Escape was on last weekend, which had gourmet sausages!

Hon SALLY TALBOT: There you go, Mr President. You yourself can bear personal witness to the fact that sausages have come a long way since 1999!

However, the same cannot be said for this government's capacity to make laws. We are still back in the dark ages when decisions seem to have been made away from any sort of public scrutiny. That is not the most serious thing, though, and that is fine; we are all well used to working in political systems where decisions get made in certain ways. When people think, hope or expect that they will be consulted or have a say on something and are then not consulted, they have their nose put out of joint and get grumpy about the way decisions are made. We can all live with that. We are all professionals. We are all realists. We know how things are made.

However, the extraordinary thing about this legislation that we are looking at today is that nobody seems to own it; nobody seems to want it; and nobody except the Premier will lay any sort of real claim to having generated the thoughts that have resulted in this bill today. Nobody knows that more starkly than the former Minister for Energy, who today in his reincarnated role as Minister for Education is now the Leader of this house and who has what must feel like to him the dubious pleasure—sarcasm does not translate well into *Hansard* but that was me speaking sarcastically or at least ironically—of taking this bill through this house. That is because we know from many, many statements that he previously put on the public record during his time as Minister for Energy that he deeply disagrees with the fundamental premise of this bill. He is on record many, many times having said that he would not approve the re-merger of Verve and Synergy. I will have a bit more to say about that a little later.

I am talking not just about the former Minister for Energy, who will be taking the bill through this place over the next few days, but also about every Liberal member of the government who is sitting in this place listening to this debate. I am talking about every member of the National Party who is in an alliance with the government. Why, when member after member after member on my side of the house has got up and sought the call over this third day of debate, has no member of the government sought the call? Why has no member of the government, the Liberal Party, jumped up to explain to the house and to put on the record in *Hansard* how the passing of this bill and the re-merger of Verve and Synergy is going to benefit their constituents? Maybe it is not going to benefit their constituents and maybe that is why they will not stand and talk about it. Is it going to benefit industry? Is it going to benefit any of the players down on the Terrace? Is it going to benefit any of the people who are the major source of funds for the conservative party in this state? I would think that, even if this bill is not going to benefit any of the people who walk into the electorate offices of members of the government, those members might stand and talk about how this bill might benefit the big end of town.

However, they are absolutely silent. They have nothing to say on any of this. I have scoured the media from one end of the state to the other. Thanks to the excellent service run by the Parliamentary Library, we can now read any newspaper anywhere in the state and see any comment that has been made about this bill by members of the Liberal Party or the National Party. I did that. I spent some time and I asked my staff to give me a hand looking at every newspaper all over the state and we could not find anything.

Hon Adele Farina interjected.

Hon SALLY TALBOT: There was an absolute deafening silence, as Hon Adele Farina says. It was a long job because there are a lot of newspapers and a lot of members of the government and the National Party—they are in government—but not one thing of substance were we able to determine.

The Leader of the House has a very tricky job to do as he takes the bill through this place, because nobody on the government side of the house is prepared to stand and defend this legislation. The reason they will not do it is the way this legislation was generated; it is very hard to find the genesis of the legislation. If the bill referred to the introduction of some form of further competition or further disaggregation of energy generators, retailers and suppliers in the metropolitan area or in the regional areas—any of those sectors anywhere in the state—it would not be hard to find the genesis for those ideas. All the government's talk and all the government's rhetoric right up until 10 April this year was about keeping the system as Labor had established it with the bills that we took through Parliament in 2005 for a disaggregated system. A disaggregated system best serves the interests of governments in Western Australia, which are constantly looking for sources of funds and revenue in particular, and every member of the Liberal–National government knows that. When governments look at the disaggregated system, the cherry on the cake has been finding an expenditure that it can translate into current expenditure. That is the gem. We know that this system was introduced in 2005 as a way of doing that.

Debate interrupted, pursuant to standing orders.

[Continued on page 6951.]