

ENERGY LEGISLATION AMENDMENT BILL 2003

Second Reading

Resumed from 26 June.

MR M.F. BOARD (Murdoch) [8.38 pm]: We are shocked and stunned. I wanted to see how the minister dealt with his bipolar attack, which might be coming on as a result of the Attorney General and Minister for Health issues. I said that I would not wish that upon anyone. My heart goes out to those people who do suffer the problem. When the minister wakes up in the morning he will have to look at himself in the mirror and reflect on that issue. We respect the Attorney General's ability to take some advice on that. We will to some degree welcome a more informed response, because although the Attorney General feels we are against change, the issues we raised show that is not the case. The Opposition is against rushing through a measure of great importance to the whole community. You are wondering, Mr Acting Speaker, what I am speaking about. When I get to it, you will be one of the first to know!

The ACTING SPEAKER (Mr A.P. O'Gorman): I hope it will be soon.

Mr M.F. BOARD: I think the member behind me has plenty of energy to speak on this matter.

MR J.H.D. DAY (Darling Range) [8.40 pm]: I am pleased to say that the Opposition supports the Energy Legislation Amendment Bill, which is important for the energy industry in this State, particularly as it relates to the gas market. The main purpose of the legislation, although not the only one, is the establishment of full retail contestability with the provision of gas supplies right down to the household level in Western Australia. I will come to other aspects in a moment. The introduction of full retail contestability in the gas market is part of a process started in the time of the previous Government; that is, the decision to proceed down this path was made by the previous Government. I guess it is not surprising that members on this side of the House support this legislation to put in place a new system in many respects for Western Australia.

In simple terms, consumers of gas, be they domestic or business, under this system will be able to choose their supplier because more than one supplier will be available. The main retailer at the moment is AlintaGas, but other operators are interested in entering our market to a greater extent than currently applies. The Opposition supports establishing such choice in the purchase of gas supplies, as this will introduce a degree of competition with price and the other services to be offered by gas retailing companies. No doubt it will cover a range of options in billing arrangements or other services to be provided. Ultimately, the Opposition expects companies providing both gas and electricity supplies to enter the market in Western Australia. AlintaGas certainly has plans in that respect. This process was put in place during the time of the previous Government. During the last election campaign, it was expected by the coalition that full retail contestability would be provided in the market by June of this year. The new system will come into operation in May 2004. Maybe the Minister for Energy can comment on that delay. It is not a matter of serious concern, but I note the change from the expectation a couple of years ago.

The Bill provides for a number of other aspects. First, minimum standards will apply for supply contracts for small consumers of gas to ensure that they are protected from a range of different market practices, and to ensure that consumers are clear about what is available to them. Second, a gas marketing code of conduct will be put in place to regulate behaviour for similar purposes. Third, a gas industry ombudsman will be established so consumers will have access to an independent consumer service. Fourth, a system will be put in place with a supplier of last resort; therefore, if a supplier leaves people stranded, consumers will still have a strong degree of certainty about access to gas suppliers, and I hope this will be in a timely sense. Fifth, a system will be put in place to ensure that minimum standards of gas supplies are met in terms of heating values and so on.

The Bill contains a number of other provisions that relate to gas supplies and other aspects of the energy industry in Western Australia. These include the ability to grant exclusive gas trading and distribution licences to commercial organisations in this State where greenfield developments are being proposed. I understand that will follow a transparent and competitive tender process, which is important. That will be significant in some small country towns and regional centres of Western Australia, where gas distribution arrangements do not currently exist. It would be appropriate to have proper procedures followed with a commercial organisation to provide certainty in supply provision to an area. In return, the organisation would receive, to a certain degree, a monopoly over those gas supplies for a certain time.

The Bill contains provisions to clarify the Coordinator of Energy's powers to obtain technical information, particularly in relation to greenhouse gases, and how that information may be published. Provision is included to allow for the transfer and consolidation of sustainable energy research functions from the Minerals and Energy Research Institute of Western Australia to the Coordinator of Energy. The Opposition does not oppose that move. However, I am interested to hear from the Minister for Energy the progress of the legislation to wind up

the Perth International Centre for Application of Solar Energy. The Liberal Party expressed opposition to that Bill, not because it does not support a degree of consolidation and rationalisation with renewable energy research in Western Australia, but as a result of concerns that the Government does not have appropriate or adequate alternatives in place for research arrangements. I am interested to hear comment from the minister on that aspect.

The legislation also contains provision to overcome a degree of legal uncertainty regarding Western Power's practice of requiring new customers to contribute to the cost of extending and upgrading electricity networks. This will ensure that reasonable cost contributions are made to the development of the electricity network. Although the Opposition supports such a provision, it is important that it not be abused. The potential exists, at least, for a large government trading enterprise to use its very strong position to extract excessive contributions from developers or others in the industry. I am aware of a particular case in my electorate at the moment involving the Water Corporation which I will not detail as it does not relate to this legislation. However, a lack of genuine concern can be shown or a reasonable approach may not be taken when small developers divide one block into two and excessive contributions are expected. I would appreciate some comment from the minister on that aspect. It is important that Western Power does not abuse its position and extract excessive contributions from people in a weak negotiating position.

Finally, the Opposition supports the provision in the legislation for Western Power to adjust electricity accounts for a period of up to 12 months when an electricity meter has not correctly recorded the amount of electricity consumed. That process has been in practice for some time, but it is appropriate to have in place a degree of legal certainty.

As I said, the Opposition is supportive of this quite detailed legislation that will implement a range of different procedures and provisions and will amend a number of Acts. Based on our best advice, there has been a good degree of consultation with industry and affected stakeholders. I am not aware of any concern - certainly no concern has been raised with me - about this legislation from any stakeholder. For those reasons we are very happy to support the legislation, to facilitate its introduction into Parliament and in particular to facilitate the introduction of full retail contestability in the gas market in Western Australia. The legislation will increase to a much greater extent the contestability in the gas market that was commenced during the time of the previous Government.

MR M.G. HOUSE (Stirling) [8.51 pm]: As enunciated by the opposition spokesman, the National Party also supports the legislation. It is an interesting Bill of some 120 pages and some 100-odd pages of explanatory notes. It appears that the legislation will be debated in this Chamber for under an hour which, in itself, is interesting because energy matters are usually a little more complex. This legislation effectively injects competition into the marketplace and, according to the Government, will therefore create a competitive marketplace that will allow prices to fall. I am not certain whether prices in Western Australia will fall, but I will come back to that in a minute.

The legislation follows legislation that has been passed in other States that have already embarked on a deregulation process. I understand that process in the main has been relatively successful. However, Western Australia stands alone and isolated in its ability to source product from other markets and in its ability to be in competition with many other companies. I do not believe the gas market in Western Australia is large enough to produce the sorts of benefits to which the Government has alluded. I may be incorrect about that and in many cases I hope I am wrong. An examination of what has occurred in the gas market in Western Australia in the past few years indicates that something quite different must occur in the next few years for a deregulated market to improve consumer prices to any great degree; however, we must expand the reticulated gas supply to other parts of Western Australia. Certainly the southern part of the State - the region that runs in a rough line from Bunbury across to Manjimup and down to Albany - would benefit from the expansion of either the existing gas pipeline or a new pipeline to provide reticulated gas to those areas. I am sure a large number of consumers in that region would take up that opportunity and therefore benefit from it; however that will require a large investment. This legislation has some regulations and provisions that will allow some of those principles to be put in place and I therefore hold out some hope that it might occur. However, we must change our attitude on how to put that infrastructure in place and in my view it will need some definite encouragement from government. I hope the minister will outline to the Parliament whether he intends to play an active role in that extension and possible upgrade in some places or whether he intends to play a very passive role by waiting to see what the market has to offer. The efficient development of that network will require serious consultation with government. I imagine that after Epic Energy's experience, which is obviously very tender about what has happened to it, the companies who invest in the gas industry - whether it be in a pipeline to provide the product to an area or the reticulated product, which are two different things - will want some assurance from government.

My reading of the legislation indicates that a regulatory process will be put in place; in other words, a regulator. I presume the minister will allow the regulator to set the parameters and principles on how the product will be

priced. I make that point because I do not believe the legislation will work unless the Government plays an active and participatory role. It will be interesting to see how easy it will be for new players to enter the market; they will obviously need access to that infrastructure. Although I am in favour of competition policy, some industries are now putting in place infrastructure solely to suit their own needs. Pipelines are a good example of that. Why would a proponent build a pipeline of a larger capacity than it currently needs when a regulator or some sort of competition policy would force it to take someone else's product down its pipeline? We have not debated that issue at any length in this Parliament but, if members think about it, that could inhibit development. A proponent could build infrastructure solely for today's needs rather than for future needs.

Members should consider for a minute the proposal to pipe water from the north to the south of the State. I am sure most members of Parliament would be aware of the pipelines in America that carry water, oil and gas in the same pipeline, which are then separated at the other end. I imagine if the Government were to build that sort of infrastructure from the north to the south of the State, it would look ahead 100 years and build a large enough pipeline to encourage the use of a range of products in the future. However, competition policy might discourage a proponent from doing that and encourage it to build the infrastructure to a size required only for today, therefore excluding access by competitors to the pipeline because it wants the market to itself. That does not mean I am against the legislation, but I have some serious concerns about the way in which it will operate.

I will refer to another part of the legislation in which I foresee a number of issues in the 117-odd clauses. I refer to the electricity issues that have been raised by members. Some parts of the legislation cannot be proclaimed until at least two other Acts are amended to comply with it. I am not sure why the minister did not encompass those amendments in this legislation; there may be a legal reason for that. Parts of the legislation that clarify the validation of charges for the extension and upgrade of Western Power are of great interest to me as a member who represents a rural electorate. I believe a consumer is challenging Western Power in a case currently before the courts in Western Australia on the validity of Western Power's ability to impose a charge for the extension and upgrade of an electricity supply. This retrospective legislation will annul that court case. When people access a service they expect to pay for it. The issue I raise is that of the charge. Western Power has a charging system that people in rural areas find very hard to understand. We have all dealt with Western Power on an individual basis. I have details of a consumer from Kulin who was asked to pay \$300 to Western Power before it would provide a quote to connect the consumer's house to the energy grid. The quote for the connection was more than \$4 000. Last year was a tough year in that area and the consumer said he could not afford it and would approach Western Power this year. After Christmas the season was looking all right and the consumer again approached Western Power. It asked for \$380 to provide a quote for connection. The quote was for \$8 000. The cost had doubled in six months! The minister will confirm that was not the only instance of vagaries in the quoting and charging system of Western Power. I commend the minister for intervening in a case in my electorate in which someone built a new facility and the charge for connection by Western Power was outrageous. The minister agreed and subsequently intervened. Western Power allowed private contractors to do some of the work and the cost was reduced. People who consume electricity want a structure in which they can understand the quoting and pricing system and see that it is fair and reasonable. This legislation also has the provision to charge a one-off customer for the total cost of a job without taking into account that there may be future connections from the same line. There is no provision in the legislation for future customers to be apportioned part of the extension cost and for the original customer to recoup some of the initial outlay. There are many developing areas in Western Australia. It seems a crazy business policy that that be allowed to continue. I am sure the Government shares the same view. Something needs to be done about it.

Because Western Power has been shown up a few times on these issues it has decided to push this legislation. It probably told the minister not to worry about it too much and that, although the Bill has 118 pages and 116 clauses, there is not much in it. It probably asked the minister to push it through Cabinet and Parliament on the basis that it would be able to sort out the mess later.

Mr E.S. Ripper: I see you have been a minister!

Mr M.G. HOUSE: Suffice to say, I have seen a few jobs done on ministers! Sometimes ministers do not know the full story until afterwards.

I raise the point genuinely because we all want a fair and equitable system. Has the minister made a decision about introducing legislation to divide Western Power?

Mr E.S. Ripper: Probably October or November.

Mr M.G. HOUSE: It will be debated this year?

Mr E.S. Ripper: Yes.

Mr M.G. HOUSE: I look forward with interest to that because it will be an opportunity to debate these issues in more detail. That debate will take more time than the debate on this Bill.

I will not go over the issues raised by the Opposition's energy spokesman because it will only duplicate what we are trying to do. I support this legislation although some issues need to be clarified. I hope the minister will explain them in this second reading debate. We have no desire to go into consideration in detail; however, if we do we will raise some issues if we are not satisfied with the minister's explanations.

MR C.J. BARNETT (Cottesloe - Leader of the Opposition) [9.04 pm]: I will make a few comments. As the member for Darling Range stated, the Opposition supports this legislation. It is the final step in deregulating gas sales down to the householder level in Western Australia. It is later than intended but, nevertheless, it is welcome. However, the delay is not of great consequence. It is more important that it be right because there are complicating issues concerning access rules and the length of pipe to be supplied for connection. There are many technical and costing details that need to be sorted.

Gas and electricity are the two components of the energy sector. A lot has been said and a lot will be said in this Parliament about deregulation, competition and disaggregation. They are all different terms that are used interchangeably by the media and members of this Parliament. However, they each have a distinct and different meaning. Regarding the deregulation of gas, as I said as a minister and have said several times since, gas is far easier to deal with than electricity. That is for a number of reasons. Gas is not manufactured. It is God-given and cleaned up before being sent down a pipe like water. Gas is essentially a matter of distribution. Electricity is a matter of manufacture and maintaining its ephemeral nature; that is, a movement of electrons in such a way as to maintain constant voltage, reliability and quality of delivery that allows people to use appliances, particularly electronic equipment. It is far more complicated. Because we live in an isolated State we do not have the luxury of interconnection across state borders. We have to transport our gas for power generation a long way down a long pipeline. Our coal is not of the same quality and does not have the same low cost of production as that of New South Wales and Queensland. There are a host of factors. We need to be very careful as a Parliament in what we do with electricity. It is my view, both previously and now, that the most important responsibility of an energy minister is to maintain that essential service. If they must be ranked, electricity and water are more essential than gas. Gas is regarded as an essential service but not as critical as electricity and water.

It has always seemed to me that there should be four broad objectives in energy, particularly the gas industry. We should try to grow the gas and electricity industries. We should encourage competition for the purpose of reducing price and improving the quality of service to customers. Given the economic nature of Western Australia, we should seek to combine our energy resources, particularly natural gas, with our other natural resources so that we add value and move our economy forward. Natural gas has particular significance for Western Australia. This State has more than 80 per cent of Australia's reserves. The reserves are being proven up at an increasing rate. I have no doubt that the natural gas reserves off the north west coast of Western Australia are Australia's most significant and valuable natural resource. That is something we need to be conscious of as a State and as a country. With regard to those objectives, during the term of the previous Government we set out to expand the energy sector. In particular, we set out to encourage the expansion of infrastructure. The previous Government sought to do so primarily through private investment. The objective was to extend the gas pipeline infrastructure across Western Australia. We will never have an electricity grid that covers the State. The energy grid for Western Australia will be a gas pipeline grid. That was recognised by the previous Government before the 1993 election. The previous Government set about deliberately expanding the energy grid. The first successful project was the goldfields gas pipeline, which was commissioned in 1996. It brought gas through the Pilbara to the iron ore industry. It also brought gas through the north east goldfields to Kalgoorlie. The project was criticised and contentious in parliamentary debate. Members argued that the tariffs were too high. Prior to the last election the tariffs were negotiated down by 25 per cent. Under the current Government they have gone back up. That should never have happened. The proponents of the goldfields gas pipeline were given, in part, a monopolised position. That was part of the security that encouraged them to undertake that investment.

The Pilbara energy project - the gas pipeline connection from Karratha to Port Hedland - was also completed. I give due recognition to the preceding Government and in particular to the member for Pilbara, who did a lot to promote that concept. As is often the case in politics, that project came to fruition during the years of the coalition Government. It was part of a negotiation with BHP about its further processing obligations for iron ore. The mid west gas pipeline was also developed. That is something that the current Minister for Energy chooses to criticise. That project extended a 500-kilometre pipeline through the mid west of the State and into a highly prospective area of Western Australia. It was part of the development of the Precious Metals Australia Ltd vanadium project. That project is not operating at present, but I assure members that it will reopen, because it involves the largest and close to the lowest cost vanadium producer in the world. It is largely for political reasons that this project is not operating at the moment. Of course, the price of vanadium also happens to be low. That mid west gas pipeline project is still operating. It is supplying gas for power generation for towns and

goldmines in the area. The coalition Government also extended the gas pipeline network from Bunbury to Busselton, which was important for a lot of the residential development taking place in that area. That was a relatively small project, but again it was completed and is working successfully.

The previous Government also privatised the Dampier to Bunbury natural gas pipeline. As part of that privatisation, the coalition Government looked after public interest on three counts: it reduced the tariff for transport by 20 per cent over a staged three-year period; the pipe was sold but the easement was retained in public ownership - the natural monopoly was the easement and not the pipe; and the buyer was given the right to develop a second pipe to expand capacity. The easement was and is still being widened from 30 metres to 100 metres so that in the long term other pipeline operators can compete, as they will be able to access a ready-made government easement. All those measures, and particularly the pipeline infrastructure, were designed to grow the energy sector, to encourage private sector investment - there was only a small amount of direct public sector investment in the mid west pipeline - and to allow for expansion of the capacity into the future. As a result, power generation in this State was extended during that eight-year period. That is significant. Three hundred megawatts of additional coal generation was developed at Collie as part of the new Collie power station, and a further 1 100 megawatts of power generation was developed in this State using natural gas. The energy mix was transformed in this State over that eight-year period. Today, just over 50 per cent of all power generation in Western Australia is based on natural gas. Western Australia is a long way ahead of any other State in terms of using a clean fuel. In the future, generation from both coal and gas should expand, but the growth should be quicker in natural gas because of its flexibility. That needs to continue.

As the member for Stirling stated, that pipeline system needs to be further expanded. During the time of the previous Government, a process was started for power generation for Esperance. That is continuing. I hope that results in the final leg of the gas to the goldfields project being completed and a gas pipeline being built - I think Worley is the proponent - to take gas to Esperance for power generation. There are a couple of imponderables such as the future of the prospective Ravensthorpe nickel project. More important is the extension of the pipeline network to Albany. I made a commitment on behalf of the Liberal Party that a future Liberal Government would extend that gas pipeline to Albany, and it will.

Mr M.G. House: Coalition Government!

Mr C.J. BARNETT: Sorry, a coalition Government will do that. It is logical that the pipeline be extended. It will be extended to Collie. Its application in Collie will not simply be for the distribution of gas to towns or for new industry. Gas is required for the charging up of the new coal power system. It is a complementary fuel.

Mr M.P. Murray: And for my lounge room.

Mr C.J. BARNETT: And to provide gas for the member for Collie's heater in his lounge room. He will need that so that he can be comfortable in his retirement, when he will be able to read the very infrequent speeches he has made in this Parliament. For the timber towns, and Manjimup in particular, gas will allow power generation for such things as wood processing and for other industries such as horticulture. Gas has great potential. That will happen. Some people are sceptical. I simply point to the record. People laughed about the proposal to bring gas to the goldfields. The Liberal Party announced that project on the eve of the election in 1993 and the project was commissioned and operating in 1996. A similar approach was taken with all the other projects. The coalition stands on its record. We will get gas to Albany and we will do it as a first priority in government. It will be terrific. It will be important for Albany and the entire south west.

That is one thing to be done in energy. The energy system must be expanded. Hopefully, that will primarily be done with private sector investment. In our time in government we essentially did it all with private sector investment, with the exception of the Collie power station, which was a public investment through Western Power. Competition is important. More private sector players need to be brought in to both gas and electricity. It needs to be done in a steady, orderly way, because there is the basic responsibility to maintain the reliability of supply. The competitive elements that were achieved by the previous Government were, first, the split of the State Energy Commission of Western Australia into Western Power and AlintaGas. That was the most basic of steps. However, it was a very complex thing to do. All the assets, contracts and personnel of the State Energy Commission of WA had to be identified and divided into two competing utilities. That was a complex task, but it was done. That took place in 1995. For the first time there was competition between electricity and gas.

The most important measure of deregulation, and perhaps the least understood, was the renegotiation of the North West Shelf gas contracts, which was negotiated in 1994. That meant that the Government essentially stepped out of the equation and a gas producer could then sell directly to a gas customer. The effect of that renegotiation, which was concluded in a fairly famous meeting in Melbourne in 1994, was that the price of natural gas in the Pilbara immediately fell by 50 per cent and the price of natural gas for industry in the south west fell by 30 per cent. The reason that companies such as Methanex Australia Pty Ltd are looking at gas processing investments in Western Australia is simply the deregulation or renegotiation of the North West Shelf

natural gas contracts. The privatisation of the pipeline was another infusion of competition into the process. Legislative changes were also made, including the setting up of the regulator, contentious as that has been in recent times.

The important point is that there is a lot of economic theory about a monopolised or government-controlled industry and at the other extreme an openly competitive industry. An economic theory can tell us what is wrong with monopoly and what is good with competition, but it cannot tell us how to get from monopoly to competition. There is no textbook or economic theory on that. In my view, it must proceed step by step. One must be prepared to flex the timetable as one goes forward, and ensure that anything one does will not place in jeopardy power or gas supplies during that period. The truth is that it was done successfully for gas. There was no blood on the floor. Epic Energy may have paid too much for the pipeline - that may have been a poor commercial decision - but everyone knew what was happening, right through from the privatisation of the pipeline, the privatisation of AlintaGas, the appointment of the regulator and the development of new gas pipelines. Sure, commercial argy-bargy occurs along the way, but it was a roll out of an expansion process for the industry coupled with a deregulation process. They went hand in hand, step by step. The deregulation of gas was a stepped process. It began with allowing an open market for anyone buying more than 250 terajoules of gas a year. They were the big gas consumers. That set the scene. On 1 January 2000 that was reduced to anyone buying more than 100 terajoules of gas a year, on 1 January 2002 it went down to one terajoule, and under our timetable there was to be full access by July 2002. That is still happening 18 months later. I do not think it is a big deal, as long as it is happening and it is done well. The point is that it was a program of progressively lowering the threshold and allowing more people to enter as buyers and sellers of gas. That allowed the market and market behaviour - the idea of contracting directly between the buyer and seller and balancing loads - to grow as people gained a greater understanding that a deregulated environment had to work. When this Government now takes the final step to full deregulation, it will be no big deal. I do not mean that in a disparaging way. Everyone is attuned to deregulation; they have almost been trained into it. Deregulation will happen and as long as the technical aspects are in place, there will be no dispute. I doubt that there will be a great deal of use of household deregulation until such time as Western Power might enter the gas market. However, it is there and it is open for people to enter. That is what needs to happen to the electricity market. It can be deregulated and ultimately fully deregulated but I do not believe there is a demand for that; it is a little premature. By stepping down an access regime in electricity, just as was done with the gas market, new players will come into the market. There will be competition and an expansion of the electricity market with an improved supply and service at a lower price to customers, all of which can be done without any risk to electricity supplies. That is the key. The minister is placing electricity supply at risk. That is unnecessary. I am saying this in good faith. It is unnecessary to do that - deregulate the industry. Electricity can be deregulated without placing the mums and dads and the hospitals and schools at risk of loss of power supply. It can be done without offending the coal industry or the gas industry, and it can be done without slicing about \$0.5 billion off the asset value of Western Power. It is an easier way to do things that can achieve bipartisan support in the Parliament. If the Government continues down the path it is going, it is headed for disaster.

I attended a breakfast this morning at which I spoke to a guy from the energy industry who had worked in California. California has a population of about 35 million and it tried to deregulate electricity overnight. It was a complete fiasco. The observation he made was that the industry in this State cannot have the sort of market envisaged by the minister unless there are at least two million customers. From his experience that is the international measure of how big the market needs to be. How many electricity customers are there in Western Australia? Something like 600 000 - I am guessing as I cannot remember the exact figure - which is nowhere near the critical minimum level. The minister is trying to put in place an economic theory that will suit an economy of perhaps 20 million people and not an economy of two million, when we are really only talking about the south west corner of the market. I urge the minister to reconsider what he is doing to the electricity market. He might not like to admit it. However, he should go back and look at the good experience with the gas industry. It is a good model to follow but I make the caveat that electricity is more complex. What I was able to do with the gas industry was easy compared with the complexities in the electricity industry. It is more difficult and it should be done more carefully over a longer period.

However, I am glad to see the final step of gas deregulation come into play. It will be interesting to see how many people want a choice at the household level, but it will certainly be attractive to small businesses that will be able access different supplies of gas whether it be through Western Power, Wesfarmers or some other independent producer. The transformation from a total monopoly within energy, including gas, to total deregulation has taken place over seven years. It has happened in a painless way without any blood on the floor. This Government should be trying to do the same with electricity.

MR E.S. RIPPER (Belmont - Minister for Energy) [9.25 pm]: I thank opposition members for their support of this legislation. When this Government came to power the gas utility previously owned by the public of Western

Australia had been privatised. Small-use customers were exposed to that private monopoly. The Office of Energy said that the next stage in deregulation needed to be worked on. It had not been picked up by the previous Government for funding and implementation but the office thought it was a step that ought to be taken. I supported that view because I believed that once we had shifted from a public monopoly to a private monopoly, the appropriate accountability mechanism was competition.

Mr C.J. Barnett: The previous Government had a timetable for full deregulation of gas and full contestability. I recognise there are issues about rules of connection, what to do with customers who have not paid their bills and all sorts of practical things, and I suspect that they were the issues presented to the minister. The fact that that stretched out the timetable does not surprise me. However, those issues were not about the principle of the policy.

Mr E.S. RIPPER: What was presented to me was the need for a gas retail deregulation project to work out all the practical mechanisms that would make full retail contestability in the gas industry a reality.

Originally, I had hoped to achieve practical full retail contestability in the gas industry earlier than the current go-live date of 1 May 2004. However, it took longer to work through all the issues than was originally anticipated. By 1 May next year we should have the practical conditions for full retail contestability. Legal full retail contestability exists in the gas market at the moment; however, the practical circumstances do not exist to allow that to happen.

I must commend all participants in the gas industry for their terrific goodwill and cooperation in working together to produce the outcome that we have today. There has been a tremendous amount of participation by industry representatives in various working parties associated with the gas retail deregulation project. A lot of private commitment has gone into producing the array of mechanisms we have today that will allow people to choose their gas supplier. They will also provide small-use customers with a range of consumer protection measures and access to a gas ombudsman who will be able to make independent and binding decisions to resolve disputes that customers might have with their gas suppliers.

We have been able to reduce some of the costs that might have been applied to the gas industry and, thus, to its customers in Western Australia by joining together with South Australia. We now have combined retail deregulation projects that will spread the costs of implementing reform in this area between the two States to the ultimate benefit of gas consumers. This will also benefit industry because the mechanisms in the South Australian market will be broadly similar to the mechanisms in the Western Australian market, which will make it easier for industry to invest in either or both of those markets.

The legislation before us also deals with a number of other matters. The responsibility for funding some research in alternative energy is shifted from the legislation governing the Minerals and Energy Research Institute of Western Australia to the Energy Coordination Act, under which it is the responsibility of the Coordinator of Energy. An anomalous situation has existed for many years in the State's energy legislation, because the previous Government had the Alternative Energy Development Board making decisions on grants for renewable energy research that were then issued under the authority of the MERIWA legislation. This Government has replaced the Alternative Energy Development Board with the Sustainable Energy Development Office Grants Committee, which broadly performs the same role. The relatively minor amendment in this legislation will bring the law into line with the administrative practice that has been followed for many years by this and the previous Government. I was asked by the shadow Minister for Energy about the situation for the Perth International Centre for Application of Solar Energy. The legislation for the formal closure of that organisation is before the upper House. In fact, the organisation has no staff and no funds; it is only a shell.

Mr M.G. House: Like a few other government departments.

Mr E.S. RIPPER: Perhaps the low priority ones in which there is scope for savings.

As indicated in the budget before last, half of the appropriation for the Perth International Centre for Application of Solar Energy has been passed to the Sustainable Energy Development Office for sustainable energy funding, and the other half has been returned to the consolidated fund. It was one of the savings we instituted in the budget before last. I am not sure whether the member for Darling Range wanted further information about that matter.

The member for Stirling asked a couple of interesting questions. He referred to the reticulation of natural gas in regional areas and asked whether the Government intended to be active or passive in the matter. The legislation will provide an opportunity for the Government, following a competitive tender process, to offer an exclusive franchise for the reticulation of natural gas in a regional area. That may be required to persuade the private sector to take up the opportunity of providing natural gas to a regional centre. There is the risk that if the private sector thinks that a second operator could step in, it will not be prepared to make the investment up-front. We sought feedback from industry and regional areas about what would be required to enable more centres to be

supplied with natural gas. I am a bit disappointed with the results from the communication with stakeholders. It appears that there is not huge industry interest in reticulating natural gas to regional centres, except in a limited number of centres. The Government may have to reconsider how it approaches this issue. I have sought advice on the level of government assistance that may be required to make the supply of natural gas to regional centres a commercially feasible outcome. There is no reason that infrastructure for the provision of natural gas reticulation should not be considered in the same way as roads or other infrastructure. The Government does not have a lot of capacity, given its borrowing limits in this area. However, I see no reason that natural gas reticulation should not be set against other priorities when we decide what should happen. I have no idea whether government assistance will encourage the private sector to become involved, about the level of government assistance that would be required and whether it would be economically feasible. In view of the less than enthusiastic response from the private sector to the Government's initial consultation, I have sought advice on this matter.

Mr M.G. House: You obviously will consider it.

Mr E.S. RIPPER: I have asked my agencies for advice on this matter. If they come back to me and say that it will cost a bomb and that we are not sure that we will get anyone, obviously it may not be a feasible outcome.

Mr M.G. House: I accept that. The other point I raised, which I would like you to cover, is my concern about the competition policy impacting on the size of the developments because of the fear of initial investors that they may be forced to carry someone else's product. Do you share that concern?

Mr E.S. RIPPER: I am concerned about whether the current natural gas pipeline access code inhibits the development of new pipelines. That matter can be considered in the Productivity Commission's current review of the gas access code. I expect that review to consider the question of greenfields pipeline developments.

Mr M.G. House: The point I make is that if you extend the pipeline from Bunbury to Albany, which, as the Leader of the Opposition stated, will be the next natural extension in Western Australia, and the proponent looks at the market size and says that it will only make the pipeline a certain capacity so that it is not forced in a few years time to carry someone else's product, that will inhibit development. There is a problem in the way that the competition policy is being enacted. That needs to be looked at in the review.

Mr E.S. RIPPER: Issues that relate generally to greenfields pipelines and how they are covered by the code must be considered. There is provision in competition policy arrangements for pipelines not to be covered by the code. A pipeline operator can apply for coverage to be revoked. I am not sure whether they can apply for coverage not to be applied in the first place. That is also an option. The National Competition Council considers whether a pipeline should be covered by the code and then makes a recommendation to the relevant decision maker. In the case of Western Australian pipelines, the Minister for Energy is the relevant decision maker. At the moment, the goldfields gas pipeline people have made an application for the code coverage of that pipeline to be revoked. That matter is currently being considered by the National Competition Council and in due course it will make a recommendation to me. The correct forum for these matters is the Productivity Commission review. The National Party may consider making a submission to that review.

The other issue that the member raised was the Western Power charges for the expansion of the network. It is my understanding that over the years Western Power has had a number of different policies with regard to the expansion of the network. Those policies are not explicit in the legislation but they are backed by the legislation. There is a real concern that some of the policies that have been applied over the years may not have had strong enough legal foundations in the legislation. Thus, Western Power and, by extension, the State Government, is possibly exposed to significant claims for refunds of capital contributions to people who have had the network extended. I hasten to assure the member for Stirling that we are concerned not so much about farmers as about the developers of subdivisions. The main concern is the charges that have been applied to developers of subdivisions. In all cases, they have recouped those costs in the prices they have charged for the lots they have sold. If there were to be a refund, it is possible that the developers would no longer be in existence, and, if they were, they would find it hard to return the refunds to those who originally purchased the lots. All things considered, and given that we are talking about substantial sums of money and that these policies have been applied in good faith and generally accepted by subdividers, it would seem to be a good thing to amend the legislation to provide the legal foundation for the policies that have been adopted over the years. There will be no change to the current policy as a result of this change to the legislation. The current policy was introduced in 1999, superseding a policy that was first applied in 1992. The legislation will remain flexible enough to allow a subsequent change in policy should Western Power and the Government decide that such a change is appropriate. We are not doing anything here that prevents improvements in the policy, but it will prevent an unintended consequence of the legislation resulting in a very significant burden on taxpayers.

In the future, following electricity reform, the state networks business will be regulated by the Economic Regulation Authority. Legislation setting up that authority is before the upper House, and interacts with this

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legislation and other energy reform legislation still to come before the House. It may well be that the Economic Regulation Authority is able to deal with matters related to the charges applied by the networks business. The networks business will be a monopoly, as it is now, and it is appropriate that it be subject to regulation, because it is not otherwise disciplined by competition.

I have dealt with the major issues raised by opposition speakers on this legislation. I thank the Opposition and the National Party for their support. I thank members of the private sector gas industry for the way in which they have cooperated with each other and the Government in a complex exercise to make customer choice, competition and full retail contestability in the gas industry, not only a theory but also a practical reality.

Question put and passed.

Bill read a second time.

As to Third Reading

MR E.S. RIPPER (Belmont - Minister for Energy) [9.42 pm]: I move -

That the third reading of this Bill be made an order of the day for the next day of sitting.

We are not proceeding straight to the third reading, because someone said to me earlier in the day that there were possibly one or two government amendments, which I have not yet seen, and I want to preserve the opportunity, in case that person was right, to deal with those amendments tomorrow.

Point of Order

Mr M.G. HOUSE: Exactly what is the House voting on? The minister just asked the House -

Mr E.S. RIPPER: The motion to make the third reading an order of the day for the next day of sitting.

Mr M.G. HOUSE: My understanding of standing orders is that that precludes the Government from going back into consideration in detail. The minister just said he wanted to go back into consideration in detail.

Mr E.S. RIPPER: No, it does not.

Mr M.G. HOUSE: I stand corrected.

The ACTING SPEAKER (Mr J.P.D. Edwards): I did not hear that, member for Stirling.

Debate Resumed

The ACTING SPEAKER: The motion before the House is to delay the third reading.

Question put and passed.

House adjourned at 9.44 pm