

Mr John Day; Mr Eric Ripper; Mr Mark McGowan; Mr Colin Barnett; Mr John Bowler; Mr Brendon Grylls;
Chairman; Mr Mick Murray

Division 11: Office of Energy, \$16 011 000 -

Mr P.W. Andrews, Chairman.

Mr E.S. Ripper, Minister for Energy

Ms A. Nolan, Acting Coordinator of Energy.

Mr G. Gilbert, Director, Corporate Services.

Mr J.H.D. DAY: I refer to the first dot point on page 194, which relates to the electricity reform process that is taking place. What is the estimated total cost of the reform program that the minister has started - in other words, the disaggregation of Western Power into four entities - and how will those costs be funded?

Mr E.S. RIPPER: When the Government made its decision to endorse the recommendations of the Electricity Reform Task Force, it asked the Office of Energy to establish an electricity reform implementation steering committee and asked the electricity reform implementation steering committee to conduct further work on the design of the market in Western Australia. In other words, the Government did not accept absolutely the recommendation of the Electricity Reform Task Force about the design of the market. Consequently, the electricity reform implementation steering committee has been working with Charles River Associates Asia Pacific Pty Ltd and Frontier Economics Pty Ltd on the design of the electricity market in Western Australia. The design of the electricity market is an important factor in the ultimate cost that will be incurred in bringing about electricity reform. The Government does not yet have available to it the final outcome of the work of the electricity reform implementation steering committee. When the Government makes further decisions on the market design, it will also make further decisions on the ultimate costs of electricity reform.

Mr J.H.D. DAY: Will the minister give some estimate of the cost of the changes he has started?

Mr E.S. RIPPER: I can give the member the budget allocations that have been made. The funding for electricity reform in the 2003-04 budget is \$3.115 million.

Mr J.H.D. DAY: Is that for the administrative cost of establishing the four entities?

Mr E.S. RIPPER: No; that is the cost of the electricity reform implementation steering group, the electricity reform implementation unit and the consultancy work that is being undertaken. When that work has reached a sufficiently mature stage, the Government will receive additional recommendations on the design of the market and will have before it further costing information and will make decisions at that stage.

Mr J.H.D. DAY: Is the minister not prepared to give any estimate of the cost of the four new trading authorities that will be established?

Mr E.S. RIPPER: The work that has been done by the steering committee has not yet concluded.

Mr J.H.D. DAY: I understand that, and the minister referred to the consulting work that is being done by Frontier Economics and also the separate work being undertaken by Charles River Associates. I believe that report has been provided to the minister by Frontier Economics. If so, will the minister table a copy of that report?

[12.50 pm]

Mr E.S. RIPPER: A report has been provided by Frontier Economics to the electricity reform steering group, not to the minister.

Mr J.H.D. DAY: Has the minister seen it?

Mr E.S. RIPPER: No.

Mr J.H.D. DAY: Will the minister make some inquiries and provide some information about the expected cost of establishing the four new entities?

Mr E.S. RIPPER: The expected cost of electricity reform depends, in part, on the design of the market. I cannot give a definite answer on the cost of electricity reform until I have a definite answer on the nature of the electricity market that will be established in Western Australia. We are still working on the electricity market design. When the Government has made a decision on the electricity market design, it will then be possible to have an estimate of the cost. The member for Darling Range is asking me to put the cart before the horse and to give an estimate of cost before we have worked on what we intend to do.

Mr J.H.D. DAY: The minister said that Frontier Economics provided a report to the task force and I want to know what it estimated the cost to be.

Mr E.S. RIPPER: It does not matter what the estimates were of Frontier Economics; what matters is the decision that the Government will make on the exact measure it will implement and the cost of that measure.

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Mr J.H.D. DAY: I thought the Government had made a decision in general terms, but the minister seems to be backing away from it very fast.

Mr E.S. RIPPER: No, we made a decision to endorse the recommendations of the electricity reform task force. In making that decision, we sought further work on the design of the electricity market. That further work is being undertaken and when it has been undertaken the Government will decide whether the design will be accepted and, consequently, the cost of electricity reform.

Mr J.H.D. DAY: Has the report from Charles River Associates been provided to the minister or to the implementation group?

Ms NOLAN: The reports of Charles River Associates and Frontier Economics have been provided to the electricity reform implementation steering committee and the implementation unit.

Mr J.H.D. DAY: Will the minister, therefore, table copies of those reports or provide them by way of supplementary information?

Mr E.S. RIPPER: There is a problem in that the estimate of cost will include principally the cost of acquiring the information technology to implement the electricity market. Making such information public is likely to prejudice the tender process. We do not want taxpayers to be skinned alive by the suppliers of this equipment because the suppliers had been tipped off about the maximum the Government expects to pay for these items. It is not our intention to prejudice the tender process by putting these documents into the public arena.

Mr J.H.D. DAY: It is reasonable to ask the minister to provide at least some estimate of the cost of establishing the four new trading entities as a result of the disaggregation of Western Power. He should provide some information to satisfy that request at least.

Mr E.S. RIPPER: The work done by Charles River Associates on market design is in the public arena on the web site of the steering committee and implementation unit. People can examine the market design on that web site. However, I will not give an estimate of cost until the matter has been properly considered by the Government.

Mr J.H.D. DAY: Is the minister not prepared to give a global estimate of the cost of establishing the four new entities?

Mr E.S. RIPPER: I am not in a position to give that cost at this stage of electricity reform.

Mr J.H.D. DAY: Is the minister maintaining the timetable for the reform process that he announced late last year, or has that changed?

Mr E.S. RIPPER: We aim to have Western Power disaggregated by 1 July 2004.

Mr J.H.D. DAY: When does the minister expect legislation to be introduced to bring that about?

Mr E.S. RIPPER: I expect the legislation to be in the Parliament by the second half of this year; and I expect that Hon George Cash and Hon Norman Moore will vote for it.

Mr M. McGOWAN: On the same dot point, are there any options available to the Government other than setting up this competitive market? Is the concept of a competitive market in Western Australia unique among the States?

Mr E.S. RIPPER: We have a significant issue in this State: we have high electricity prices compared with those in other States, which puts an inhibitor on our economic development. One strategic move that we can take in this State to encourage economic growth is to reform our electricity system and, through competition, get lower electricity prices. In so doing, we would be going down a broadly similar path to the path taken by the coalition Government of Queensland and the Governments of New South Wales, Victoria and South Australia. We would, however, not go down an aspect of the path embarked on by both Victoria and South Australia; that is, we will not privatise Western Power or its successor organisations. We are closer to the situation that emerged from the coalition Government's activities in Queensland, which has separate generation networks and distribution retail organisations, all of which are still in public ownership.

Mr J.H.D. DAY: Is there not a difference, in that Queensland is part of the national electricity market?

Mr E.S. RIPPER: It is part of the national electricity market, which is why we cannot do precisely what has been done in the eastern States. One obvious alternative would be to take the market models that apply in the eastern States in the national electricity market and apply them to Western Australia. However, we have a different situation. Our system is not interconnected with other systems and, in a sense, we must look after ourselves. We cannot call on another State to supply us with electricity if we get it wrong. We must therefore have a solution that is peculiar to Western Australia. That is why we appointed the electricity reform task force

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and why we have the set of recommendations that we have before us, on which the Government is working. This issue is important for our economy. The consultants who work for the electricity reform task force have said that the average price of electricity would fall by 8.5 per cent as a result of the electricity reforms recommended.

Mr J.H.D. DAY: Over how long?

Mr C.J. BARNETT: Over 20 years. You need to tell the truth.

Mr J.J.M. BOWLER: It is still 8.5 per cent more than what you were going to give.

Mr C.J. BARNETT: Over 20 years; that is a pathetic outcome. I reduced it by 20 per cent in eight years.

Mr E.S. RIPPER: In addition, by 2010 real gross state product will increase by \$300 million a year and aggregate employment will be up by 2 900 people.

Mr C.J. BARNETT: The member for Collie has not stood up for his union mates.

Mr J.J.M. BOWLER: At the next election there is more chance of the Minister for Energy being the member for Cottesloe than the member for Cottesloe being the Leader of the Opposition.

Mr E.S. RIPPER: The prediction for 2020 is for further increases to \$590 million a year and 3 900 additional persons employed.

Competition reform in the electricity market, although still to be implemented, is already stimulating competition and interest in private sector investment. For example, the Australian Hotels Association has done a deal with AlintaGas for AHA members commencing in 2005. That deal was announced by the chief executive officer of AlintaGas and the Western Australian branch of the Australian Hotels Association.

Mr J.H.D. DAY: Under the current system?

Mr E.S. RIPPER: We already have organisations interested in investing in our electricity system and we have customers benefiting from competition. Why is that happening?

Mr J.H.D. DAY: That has been happening for years.

Mr E.S. RIPPER: It is happening now because the Government is committed to electricity reform.

Mr C.J. BARNETT: It happened years ago.

The CHAIRMAN: Time, members! I shall see you all after lunch.

Sitting suspended from 1.00 to 2.00 pm

Mr B.J. GRYLLS: On page 199 of the *Budget Statements* the third dot point of major achievements for 2002-03 states -

A Regional Electricity Supply Committee has been formed to develop a Regional Electricity Supply Policy for the connection of new customers and increased loads from Western Power's regional non-interconnected systems, South West Interconnected System and the North West Interconnected System.

What is the cost of forming this committee, the work it has carried out so far and its allocation for 2003-04?

Mr E.S. RIPPER: The committee is an internal committee of government that is funded from within the resources allocated to the Office of Energy. I do not have a definite costing to put to the member. To provide a costing we would have to estimate what proportion of various officers' time has been involved. I do not think the member is actually seeking that information.

The more important question is: what is the work of the committee about? An important issue for the State at the moment is that, under its governing legislation, Western Power is required to act commercially to enhance the long-term value of the organisation. However, Western Power supplies power to people in situations where it is not getting a commercial return. In principle, if Western Power were to act according to the technicalities of its legislation, it could withdraw from supplying power to certain areas because it is not commercially viable. Remarkably, the legislation does not include a requirement for Western Power to continue supplying all the areas it presently supplies. Western Power continues to supply those areas but is reluctant to expand its services in areas where it is already making a loss. For example, if Western Power is asked to extend its power supplies into an area where there is a non-interconnected system and it is already making a loss, and generating more power there would only increase that loss, Western Power has in some circumstances been declining to extend the system. Therefore, we have the problem of Western Power not wanting to extend the system in the non-interconnected areas, and we also have the problem of it not wanting to extend the system on the edges of the south west interconnected system. Western Power argues that it is uncommercial and its governing legislation

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requires it to act commercially. Of course, it is always open to the Government to provide a community service obligation payment to Western Power when it is asked to act uncommercially and for Western Power to be, in effect, subsidised to offer that service.

The regional electricity supply committee is trying to sort out a rational and fair policy to provide for circumstances in which the grid can be expanded or in which the non-interconnected systems can be expanded. At the moment there is no set of rules that enables anybody to decide whether, for example, an expansion east of Ravensthorpe is preferable to a proposal to connect Widgiemooltha or Coral Bay. We need a rational policy that provides a fair outcome for people in regional areas but does not allow for unlimited expansion, because the finances may not be available to do that.

Mr B.J. GRYLLS: Is there an allocation for it in this budget, or is it much the same as before, whereby it is drawn across from the departments?

Mr E.S. RIPPER: There is no particular allocation for the regional electricity supply committee. There is an allocation for the Office of Energy because that provides policy advice to the Government on energy issues, and this is one of the energy issues which concern me and on which I am seeking a more rational and fairer approach. At the moment there is no commonly understood set of rules that govern whether an extension should be made into that area.

Mr B.J. GRYLLS: Will the committee produce a report?

Mr E.S. RIPPER: Its aim is not to produce a formal bound volume but it will produce advice to the Government. When I get that advice I will decide how we should proceed. It might be that the Government will adopt the recommendations or that it might seek consultation on the recommendations.

Mr J.J.M. BOWLER: On page 194 of the *Budget Statements* the fourth dot point refers to the affordability and reliability of power to Aboriginal communities. I have four such communities in my electorate that would benefit from these types of developments. How is that matter progressing; what communities, if any, have already benefited from it; and what will happen in the near future?

Mr E.S. RIPPER: We offer the uniform tariff to many communities to which Western Power supplies the electricity. However, we do not offer the uniform tariff, as a State, uniformly. A number of communities are not supplied by Western Power, including some non-indigenous communities such as Eucla, Windy Harbour and Coral Bay. Widgiemooltha is another community that comes to mind because of the work done by the member for Eyre in making sure it is before me. Those four non-indigenous communities are not supplied power by Western Power and do not get the benefits of the uniform tariff or the pensioner concession. In addition to that, a large number of Aboriginal communities with populations of more than 200 do not have power supplied by Western Power and do not receive the benefits of the uniform tariff. This is particularly important in these indigenous communities because poor quality power supplies contribute to poor quality waste water treatment, poor quality water supplies and poor health outcomes. Aboriginal communities deserve a reliable electricity supply of good quality and they deserve to have it provided under the same conditions as everyone else. The Government is proposing to work on a pilot basis with private sector generators to get good quality and reliable power supply into these Aboriginal communities. We hope to have Western Power or the new regional power corporation run the retailing of electricity to the residents of these communities. We will offer the communities the uniform tariff that will be half funded by the State Government and half funded by the Aboriginal and Torres Strait Islander Commission, which currently has some responsibilities in power supply. Soon I will be announcing the Aboriginal communities that will be part of the pilot -

Mr J.J.M. BOWLER: Will there be a statewide roll out?

[2.10 pm]

Mr E.S. RIPPER: It will be a pilot project in the first instance because, for the first time, individual residents of these settlements will be receiving electricity bills in their own name, and a number of social and administrative issues need to be addressed. We have to run a pilot project to determine the acceptability of the new arrangements before they are rolled out. There are about 30 Aboriginal communities with a population of more than 200. If we do roll it out across all the Aboriginal communities it will be an expensive exercise. This links in with the question asked by the member for Merredin about regional electricity supply. The most disadvantaged regional people regarding electricity supply are the residents of the Aboriginal communities. They are among my highest priorities for improved power supply.

Mr B.J. GRYLLS: Does the minister envisage a similar plan with Coral Bay and similar areas? If it is being done for Aboriginal communities is there a move to bring everyone under that system rather than communities having their own power generation?

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Mr E.S. RIPPER: The matter will be addressed by the regional electricity supply committee. I will wait for its recommendations and see what comes from that. The pilot program will cover only five Aboriginal communities. Approximately 25 Aboriginal communities and other non-indigenous communities will be the only ones not supplied at the uniform tariff.

Mr J.J.M. BOWLER: The federal Government has funds for sustainable power generation. Will some be available for very remote communities?

Mr E.S. RIPPER: The federal Government has money available under the remote renewable power generation program. When I say that the federal Government has money available, it is actually our money that it has taken from us and which is given back under certain conditions. The reason I say it is our money is that the federal Government taxes our use of diesel in remote power generation facilities. It is an unfair tax on Western Australia because we have many more non-interconnected systems relying on diesel than any other State. The federal Government does not tax the coal that goes into the generation of electricity in the eastern States. It does not tax the gas that goes into the generation of electricity, except through royalty regimes. It taxes heavily the diesel that goes into the power generation required in our remote areas. The uniform tariff means that we all subsidise that cost. What the federal Government does with the excise - courtesy of a deal with the Australian Democrats - is to give it back to us on certain conditions. The conditions are that we use it for grants or renewable energy supply in off-grid areas. The federal Government is giving the money back only for about four years. After that it will not give us any money at all. With regard to the use of the funds for the purposes outlined, it is frustrating that we have those restrictions. We can only use the funds on renewable energy and in non-interconnected off-grid systems. There are many occasions when it would be good to use it for energy efficiency purposes in off-grid areas so there could be a renewable supply with a demand management program that would reduce the community's use of power. We cannot use the money for energy efficiency purposes. Equally as frustrating, we cannot use it for fringe-of-grid applications. We can use it for a wind farm at Hopetoun but we cannot use it for a wind turbine or an integrated wood processing facility somewhere in the wheatbelt, for which it might be very good in strengthening the south west interconnected grid in a very useful way to get some renewable energy onto the system. Unfortunately, the money is available only off-grid. We are negotiating with the Commonwealth to try to free up the requirements because I would like to have some energy efficiency projects using that money. I would like to do something on the fringes of the south west grid in the wheatbelt if it could be put to good use.

Mr J.H.D. DAY: I refer to the first dot point at page 194 of the *Budget Statements*. What is the expected total cost of disaggregating Western Power into four separate entities and establishing a new wholesale market? I am not asking for a detailed breakdown that might give information about the expected costs of items of equipment, as the minister referred to earlier. Secondly, how will the funds be provided? Will they be from the consolidated fund or by some other means? If it is from the consolidated fund where is it shown in the budget? Thirdly, as a result of the process, by how much are electricity costs for residential and commercial consumers expected to fall in Western Australia?

Mr E.S. RIPPER: As I said in my earlier answers, the electricity reform implementation steering committee and the implementation unit are still working on these matters.

Mr J.H.D. DAY: I require only an estimate.

Mr E.S. RIPPER: I am not prepared to give an estimate until I have had the report from the steering committee and the implementation unit.

Mr J.H.D. DAY: I believe a figure was given in the task force's report last year, if I recall correctly. If so, does the minister stand by that figure?

Mr E.S. RIPPER: As I recall, a range of numbers was mentioned in an appendix to the report. The information will be available in due course but we do not presently have information on the overall cost.

Mr J.H.D. DAY: The consultant's report contains some information that has been given to the implementation group.

Mr E.S. RIPPER: Yes, but the information has not been considered fully by the steering committee and the implementation unit. Advice has not been provided to the Government. The Government will have the recommendations on market design, cost and the funding model in due course. The Government will then make a decision. I am sure that the Government will either release the information or the member will ask me a question in Parliament. I will provide the information at that time.

Mr J.H.D. DAY: Whether I get an answer is another matter.

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Mr E.S. RIPPER: If the member asks me a question about the cost of anything I will give him an answer when we have decided the matter.

Regarding the funding model, there will obviously be costs that are internal to Western Power. There will most probably be a circumstance in which Western Power funds part of the cost because the cost will be internal to that organisation.

Mr J.H.D. DAY: What about the other part of the cost?

Mr E.S. RIPPER: It could be funded from the consolidated fund. There could be a variety of ways to fund it.

Mr J.H.D. DAY: Is there any estimate in the budget figures or the forward estimates?

Mr E.S. RIPPER: The budget includes the money we have allocated to the electricity reform implementation steering committee and the implementation unit. It is more than \$3 million for this financial year.

Mr J.H.D. DAY: Is that in the budget for the Office of Energy?

Mr E.S. RIPPER: Yes. The question of the overall cost of electricity reform is yet to be determined by government. That is why it is not in the budget.

Mr J.H.D. DAY: There is nothing in the forward estimates?

Mr E.S. RIPPER: The Western Power dividends in the forward estimates show that dividends in years three and four are expected to be lower. There are two reasons for that. One is that the agreed payments from Western Power to the Government - which I reached with the board a few years ago - will finish and we will revert to a straight 50 per cent of the profits as a dividend payout ratio. The other reason is that heightened competition was expected to eat into Western Power's market share.

Mr J.H.D. DAY: No additional allocation from the consolidated fund is provided for at this stage?

Mr E.S. RIPPER: No. When decisions are made on matters they are provided for in budget planning. If decisions are not made they are not provided for.

Mr J.H.D. DAY: My third question related to the expected reduction in costs for electricity for residential and commercial customers.

Mr E.S. RIPPER: The consultants working with the Electricity Reform Task Force suggested an 8.5 per cent fall in the cost of electricity.

Mr J.H.D. DAY: Over how long?

Mr E.S. RIPPER: In making that forecast they had a horizon of 20 years.

Mr J.H.D. DAY: Is that in real terms?

[2.20 pm]

Mr E.S. RIPPER: I am acutely aware that people are using that figure to say that not much will happen immediately. As I recall the figures, quite significant cost reductions will occur in the first four years. I have just been reminded that the consultants expect the fall of 8.5 per cent to occur by 2010.

Mr J.H.D. DAY: Is that a fall of 8.5 per cent in real terms?

Mr E.S. RIPPER: It is estimated that average retail electricity prices will fall by around 8.5 per cent by 2010. I would need to go back to the consultant's report to see whether that is a nominal or real fall. I think it is probably real as that is a better way of assessing things.

Mr J.H.D. DAY: Even if the minister is right, he would have to agree that that is a lower rate of reduction in real terms than has occurred over the past 10 years. There has been a 20 per cent reduction in real terms over the past decade.

Mr E.S. RIPPER: The analogy I use involves low-hanging fruit. As we drive for reductions in cost, the early measures we undertake are usually easier to achieve and more productive than the measures undertaken towards the end of the process. We expect that the early efforts to drive down electricity costs will be more productive than the later efforts. That is the way in which these things work. The fact of the matter is that despite falls in real electricity prices over the past decade, we still have higher electricity prices than other jurisdictions. This is inhibiting our economic development.

Mr J.H.D. DAY: As I recall, we are at the midpoint in relation to other States. Is that correct?

Mr E.S. RIPPER: That is not the advice available to me. I refer to a document in which Western Power's published prices are compared with the Australian capital city average prices. This shows that large businesses

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have annual electricity bills of around \$1.2 million, about 25 per cent higher than the Australian capital city average; medium-sized businesses have annual electricity bills of around \$200 000, about 22 per cent higher than the average; small businesses on a demand tariff have annual electricity bills of around \$100 000, about 18 per cent higher than the average; small businesses on a general supply tariff have annual electricity bills of around \$13 000, about 17 per cent higher than the average; and residential customers have bills that are about 10 per cent higher than the average. The price comparisons are based on specific customer consumption patterns and represent indicative differences. The base data has been sourced from the Electricity Supply Association of Australia's October 2002 publication "Electricity Prices in Australia 2002/2003". The Office of Energy calculated the comparative Australian capital city averages.

Mr J.H.D. DAY: Will the minister table that information?

Mr E.S. RIPPER: Yes. I can make that information available. It is part of my briefing notes.

Mr C.J. BARNETT: Those figures ignore the fact that probably 40 per cent of generation in this State is off the grid and private; therefore, the cost is lower. The other States have grids that cover the whole of the State; we have a grid only in the south west. Those comparisons are fallacious.

Mr E.S. RIPPER: People who choose to locate in the south west and purchase their power off the grid might well be in a position to make a comparison of what they would pay to locate or expand in Western Australia and what they would pay to locate or expand in New South Wales or Victoria.

Mr C.J. BARNETT: The price comparison is grid on grid. The blindingly obvious point is that the grid in Western Australia covers only the area from Geraldton to Albany and into the wheatbelt. The grid covers a tiny area of the State.

Mr E.S. RIPPER: The Leader of the Opposition does not make an invalid point. Of course we have a grid that covers only a portion of the State. A number of people generate their own power. The businesses that I say will be advantaged are not the businesses that will set up their own gas turbines to generate electricity. It is all very well for a mining company located adjacent to a gas pipeline or a gas pipeline spur to set up its own generation and produce cheaper electricity than is provided by Western Power, but a bakery or medium-sized light manufacturer will not have that option.

The CHAIRMAN: The minister referred to tabling information. He can circulate that to members, provide it by way of supplementary information or table it when the House sits. He cannot table it during this committee hearing.

Mr E.S. RIPPER: Do you want me to include it as supplementary information?

The CHAIRMAN: The minister can do one of three things: circulate it, provide it by way of supplementary information or table it when the House sits.

Mr E.S. RIPPER: How does the member want it?

Mr J.H.D. DAY: Provided as supplementary information, together with the assumptions on which those calculations are based.

The CHAIRMAN: Excellent.

Mr E.S. RIPPER: We will do that.

[*Supplementary Information No A43.*]

Mr M.P. WHITELEY: The fourth dot point under major initiatives for 2003-04 on page 200 refers to the gas retail deregulation project that will commence in 2004. What consumer protection mechanisms will be put in place to ensure that the arrangements for a new competitive gas market will not disadvantage consumers?

Mr E.S. RIPPER: We hope that the first thing that will protect consumers is their opportunity to choose between suppliers. We are establishing the conditions under which that should occur. In addition, the scheme will contain consumer protection measures. Regulations will provide the minimum requirements for inclusion in both standard form contracts and negotiated contracts for all small-use customers. Negotiated contracts will contain a mandatory 10-day cooling-off period. In accordance with the trading licence, gas retailers must submit a standard form contract to the Economic Regulation Authority for approval. The Minister for Energy will approve a marketing code of conduct to regulate and control the behaviour of gas retailers and gas marketing agents. The purpose of that code of conduct will be to protect consumers from undesirable marketing conduct and to define standards of conduct in the marketing of gas. It will be a licence condition for gas retailers to comply with the marketing code of conduct. Non-licensed marketeers will be subject to the financial penalty set out in the energy legislation amendment Bill, which will come to the Parliament shortly. People who do not

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comply with the code of conduct will face either the loss of their licence or, if they are not a licensed operator, a financial penalty. I have received at least one letter from a gas industry participant objecting to the rigour of the marketing code and the surrounding regulations.

It is also proposed that a gas industry ombudsman scheme be established to deal with disputes between customers and licensees or gas marketing agents. It will be a licence condition for retailers and distributors to be members of a gas industry ombudsman scheme. It is proposed to contract the Parliamentary Commissioner for Administrative Investigations, the current Ombudsman, to be the gas industry ombudsman in the first instance. The gas industry ombudsman will be able to make determinations that are binding on industry without fear of retribution from the industry. The gas industry ombudsman scheme will be funded by licensees; that is, people participating in the industry.

I could talk about a number of other issues at some length, but perhaps I have given the member a flavour of the arrangements that have been made. For my mind, the principal protection is that if people do not like the service they are getting from one retailer, they can choose another gas retailer. We will put in place practical arrangements to enable people to do that. Currently, there is only one gas supplier to the domestic market. As part of our arrangements to move towards full retail contestability of the gas market, we have tightened the tariff cap that applies to the supply of gas to domestic customers. When we came to power, the tariff gap was the consumer price index plus two per cent. That meant that AlintaGas gas could increase its prices by the inflation rate plus two per cent every year. We have tightened that increase to no more than the inflation rate. That position applies until competition enters the market. We are aiming for competition in the gas market by May 2004.

[2.30 pm]

Mr M.P. MURRAY: I refer to the energy smart community program under the eighth dot point on page 199 of the *Budget Statements*. What targets has the Government set for government agencies that participate in the program? What assistance is being provided to assist those agencies to meet the targets?

Mr E.S. RIPPER: The Government wants to send a strong message to people about the need to be more energy efficient, but it cannot send that strong message until it gets its own house in order, which is what this program is about. Agencies will be expected to reduce their energy use over five years and to achieve a 12 per cent reduction by 2006-07. The targets are five per cent by the end of this year, six per cent by the end of 2003-04, eight per cent by 2004-05 and 10 per cent by 2005-06. In many cases, agencies can achieve the initial reductions - again this is a low-hanging fruit issue - by good house keeping; that is, turning off lights, purchasing equipment that has low stand-by energy use requirements and so on. However, agencies will be required to make investments to achieve the 12 per cent reduction. A virtual revolving fund will be established, which will peak at about \$16 million. Through the Sustainable Energy Development Office, agencies will be able to obtain advances to make investments in energy saving equipment or energy saving measures. SEDO will fund those investments if the agencies repay the loan within five years. The agencies will pay back the loans through the energy savings they make. After the loans have been paid, the agencies can use the savings for other purposes. As the Minister for Energy and Treasurer, I like this program because it results in cost savings, energy savings and a reduction in greenhouse gas emissions. It is a significant program. As I said, the amount of advances will peak at \$16 million.

Mr J.H.D. DAY: I refer to the second dot point on page 194 of the *Budget Statements* which refers to the competitive power procurement process that is currently being conducted for the south west interconnected system. I would like information about what stage that process is at. What is the likely outcome? How will the minister ensure that the independent power producers can compete with Western Power in the provision of base-load capacity? Will the IPPs have access to basic infrastructure at the existing Collie power station so that Western Power does not have an unfair advantage?

Mr E.S. RIPPER: The power procurement processes that I announced last year are on track. I can assure the member for Darling Range, and the member for Collie in particular, that the power procurement process 2 is on track. The Government intends to continue with PP2, which is the procurement process for a base-load power station.

Mr J.H.D. DAY: When is a decision expected to be made?

Mr E.S. RIPPER: It might be better to talk to me about that when representatives from Western Power are in the Chamber because they have more information about the process. The stage 2 base-load capacity process commenced with calls for expressions of interest in December 2002. The expressions of interest were to be lodged by 26 February this year. These are being evaluated by Western Power. Some 13 expressions of interest were received. I could get some further information from the manager and director of Western Power. I will

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wait until he arrives before providing the member with more detail. I recollect that a further stage of the process will conclude in December this year.

Mr J.H.D. DAY: From memory, the outcome was to be determined early next year. We can take up that matter later. I also asked about independent power producers competing with Western Power with regard to the construction and operation of the Collie power station. Is Western Power excluded from constructing and operating the station?

Mr E.S. RIPPER: Western Power will not participate in the second stage of the power procurement process for the base-load power station. Nevertheless, Western Power has some important decisions to make. The conditions under which access will be given to the Collie power station site will be an important determinant of the process. The Government will take a very close interest in ensuring that access to that site is granted on fair conditions.

Mr B.J. GRYLLS: The Sustainable Energy Development Office is referred to on page 211 of the *Budget Statements*. Following the introduction of legislation into Parliament to wind up the Centre for the Application of Solar Energy, what has happened to the seven full-time equivalents at CASE? What is the cost of integrating its functions into SEDO? Has SEDO's budget been increased to handle those functions?

Mr E.S. RIPPER: The original proposal was to close CASE and transfer all of its appropriation to the Sustainable Energy Development Office. That appropriation would have been between \$700 000 and \$800 000. As a savings measure in the last budget, only \$400 000 of the budget for the Perth International Centre for Application of Solar Energy was given to the Sustainable Energy Development Office when the former body ceased operating. Given that I seek to impose financial discipline across government in my role as Treasurer, I must be watchful of the expenditure in all my portfolios, including the energy portfolio. That was one contribution that the Minister for Energy made to the Treasurer's budget in 2002-03. The Sustainable Energy Development Office will get \$400 000 following the closure of the Perth International Centre for Application of Solar Energy. That is provided for in the budget. The Acting Coordinator of Energy headed up the task force that dealt with CASE so I ask her to comment on the status of its employees and the arrangements for SEDO.

[2.40 pm]

Ms NOLAN: As the operations of CASE have wound down and a number of projects have been finalised, staff who were on contract and who were not public servants have subsequently left the CASE environment. Before its closure, CASE wound down many of its projects and most were at the point of completion. We are currently finalising a range of other projects that CASE undertook. Similarly, the Sustainable Energy Development Office has picked up the general overseas investment aspect of that in conjunction with DOIR, which is looking to encourage further development of the renewable energy sector both locally and overseas. SEDO's focus has been to encourage renewable energy producers into Western Australia.

Mr B.J. GRYLLS: I think I am correct in saying that we have a two per cent renewable energy target. Are we on track to achieve that target?

Mr E.S. RIPPER: That is a commonwealth target, but I will deal with the question. Commonwealth legislation requires that all retailers of electricity source a percentage of their electricity needs from renewable energy sources. It is commonly referred to as the two per cent target. I think the target is 9 000 gigawatts an hour, rather than a real two per cent target. Some argue that a real two per cent target is more than the figure that has been chosen. As Western Australia's electricity retailer, Western Power is required to comply and so far it is complying.

Mr B.J. GRYLLS: Currently Western Australia is at two per cent?

Mr E.S. RIPPER: We are currently at the required legislated level, which is not two per cent but a staged target. Whatever the level is - I am not sure - we are at that level because of the wind farms at Albany and Esperance and a range of other measures. Under the terms of the legislation, Western Power does not need to physically obtain electricity from renewable energy sources. It is required to purchase renewable energy certificates equivalent to the amount of energy. Western Power could purchase renewable energy certificates from any supplier of renewable energy in the country and use that to satisfy the requirement. Naturally, I would like to produce that renewable energy in Western Australia and that is the direction in which Western Power is headed. There is a program on the market that allows for the purchase of so-called renewable energy certificates.

Mr J.H.D. DAY: I refer to the tenth dot point on page 200 of the *Budget Statements*. The regional power procurement program commenced during the term of the previous Government. Will the minister provide any information about the reduced costs of generation and the savings incurred as a result of the program at the different sites?

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Mr E.S. RIPPER: I am aware of one figure. The Esperance power procurement process is expected to produce a 15 per cent saving on energy costs. We will have to subsidise the supply of electricity to Esperance and surrounding areas, but the subsidy will not be as great as it was and costs will improve by about 15 per cent. I am sure that figures are available for each of the other power procurement processes and I am happy to provide the member with a brief status report on each of the processes and the expected cost savings by way of supplementary information. It is really difficult to say this, but some of the previous Government's programs were worthwhile continuing, and that was one of them. That is about the only concession I will make during this estimates process.

[*Supplementary Information No A44.*]

Mr B.J. GRYLLS: At page 201 of the *Budget Statements*, the estimated actual figure of \$13.3 million for 2002-03 is described as an inflated figure. What programs did those funds come from and why were they carried over from 2001-02?

Mr E.S. RIPPER: The actual amount carried forward from 2001-02 to 2002-03 was \$5.21 million. The funds carried forward into 2002-03 included \$3.338 million for the Aboriginal remote communities power procurement pilot project. I have started to provide a breakdown of the entire \$5.21 million. I am advised that the member wants information only for output 2.

Mr B.J. GRYLLS: I am referring to the \$13.267 million on page 201 of the *Budget Statements*.

Mr E.S. RIPPER: The figures that I have show that \$462 000 for the solar hot water heater rebate scheme was carried over into 2002-03.

Mr B.J. GRYLLS: Can I have this information by way of supplementary information? I am aware of the time and that we still have two more divisions to deal with. I seek supplementary information on what the carryover comprised.

[2.50 pm]

Mr E.S. RIPPER: The question is: what funds were carried over into 2002-03 that contributed to the estimated actual of \$13.267 million on page 201 of the *Budget Statements*? I agree to provide that as supplementary information.

[*Supplementary Information No A45.*]

The appropriation was recommended.