

ELECTRICITY CORPORATIONS BILL 2005

Assembly's Message

Message from the Assembly received and read notifying that it had agreed to amendments 1 to 18 and 20 to 31, and had disagreed to amendment 19.

The Council's amendment 19, to which amendment the Assembly had disagreed, was as follows -

Clause 61, page 35, after line 20 - To insert -

- (2) In respect of the function of the Electricity Networks Corporation referred to in section 41(a) -
 - (a) subsection (1) is subject to paragraph (b); and
 - (b) the Electricity Networks Corporation must spend at least 50 per cent of the annual cost of managing, planning, developing, expanding, enhancing and reinforcing the South West interconnected system in respect of transmission and distribution systems, including systems to facilitate the connection of renewable energy generation, in regional districts.
- (3) In subsection 61(2), "**regional districts**" means the Goldfields-Esperance, Great Southern, Mid West, South West and Wheatbelt regions referred to in Schedule 1 of the *Regional Development Commissions Act 1993*.

Motion

HON KIM CHANCE (Agricultural - Leader of the House) [6.01 pm]: I move -

That amendment 19 made by the Council be not insisted on.

Hon George Cash: For what reasons?

Hon KIM CHANCE: It is a debateable matter.

Hon George Cash: I wondered whether you would provide reasons. You don't have to.

Hon KIM CHANCE: I did not intend to. I thought that those reasons were understood. I have been called on to provide reasons. I do not believe that is necessary at this stage. This matter was debated at considerable length. I think the government's position on the amendment is well understood.

HON MURRAY CRIDDLE (Agricultural) [6.02 pm]: Obviously, amendment 19 would have provided that the corporation spend at least 50 per cent of capital works funding on designated areas of the south west interconnected system in regional and rural Western Australia. I am very disappointed that the government has not taken the opportunity to make that amendment to the bill. We have had extensive debate in this place, and the amendment was agreed to by all parties. The conservative parties in the lower house also agreed that this amendment was acceptable. We are now being asked to exclude the provision that would have given regional and rural Western Australia the network that it deserves. It has been identified time and again that capital expenditure is required to upgrade the SWIS. I have raised that issue in this Parliament. The government needs to understand that there is a requirement for this money. Meetings were held in Koorda and Jerramungup. That fact is clearly known and has obviously been identified as a result of the recent bushfires in country areas. I do not have to outline that there was a very serious bushfire in the south west that resulted in a couple of deaths. That was an indication that there was a problem for Western Power.

As a National Party member and a rural person, I am absolutely flabbergasted that this government has not taken up the opportunity to ensure that that funding would be provided. We are debating this legislation well after the time allotted under sessional orders. The legislation has been hanging around in the other house for three days. There were plenty of opportunities to discuss the matter, but there was no discussion at all. I know that my party was keen to discuss the legislation to get some undertaking that this provision would be included in the bill. Clearly we have been ignored. Clearly the opportunity has not been taken up. That is a reflection on the government and its treatment of regional and rural Western Australia. I asked a question in this place about the health system recently and the same thing seems to have happened in that area. The government needs to understand that expenditure is required in regional and rural Western Australia. The same thing is happening to roads and in a raft of areas. The government is flooded with money, and regional and rural Western Australia is not getting recognition. I hope that the government takes up the opportunity to allocate some funding to country areas, and particularly to the SWIS.

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As I have said, the National Party is very concerned about this matter. I moved the amendment in this place. I am happy that some of the amendments have been agreed to. The amendment on off-peak power was agreed to, and I recognised that during my contribution to the third reading debate, as the minister will well and truly remember. A number of other amendments were also agreed to. The word "improve" was inserted in some provisions. However, that is not the issue. The issue is that funding must be spent in regional and rural Western Australia. This was a clear opportunity to do just that. As a person who lives at the end of the SWIS at the northern end of the south west land division, I understand clearly what the problem is. When I go to that area, people regularly tell me that money needs to be spent there. Although the previous minister did not recognise it at the time, he came to the conclusion that money needed to be spent, and \$48 million was put aside for some expenditure in the area. However, there is an enormous recognition of the absolute need for the conductors to be improved. I have mentioned this issue a number of times during debate. A wind farm has recently opened in Geraldton. There is no opportunity for further power generation in that area because the conductors will not carry the power. The whole grid needs a jolly good look at. I say to the minister that the opportunity has been lost if this amendment is not insisted upon. Obviously the numbers will not fall my way, but I place on the record that I am very disappointed that the opportunity has been lost to provide in this bill for some expenditure on the Western Power network.

HON GEORGE CASH (North Metropolitan) [6.07 pm]: The Electricity Corporations Bill 2005 has had a rather tortuous process through this house over what I regard as a long period. Last Tuesday, the house agreed on a number of amendments and a message containing those amendments was transmitted to the Assembly. Given that the government has told us on a number of occasions in recent times just how important the bill is and how important it is that it be proceeded with as a matter of urgency, members will understand that I was absolutely astounded to find that the matter was dealt with in the Assembly less than an hour ago. Because the Liberal Party opposition is keen that this bill be agreed to, it has agreed to suspend sessional orders to enable this message to be dealt with. One of the reasons that the Liberal opposition has agreed to do so is that the Leader of the Opposition in this place has advised me that the Treasurer today received a memorandum from the Department of Treasury and Finance in the following terms -

TREASURER

**REQUESTED INFORMATION ON PAYMENTS PENALTIES FOR FAILURE TO DISAGGREGATE
WESTERN POWER PRIOR TO 4 OCTOBER 2005**

ISSUE

You requested information on competition payments penalties to Western Australia, for failure to disaggregate Western Power before the National Competition Council (NCC) finalises its 2005 payments recommendations to the Federal Treasurer on 4 October 2005.

RECOMMENDATION

That you note the following.

BACKGROUND INFORMATION

Western Australia is subject to a 15% competition payments penalty, worth \$11.5 million in 2004-05, expected to increase to \$11.8 million in 2005-06, for failure to disaggregate Western Power.

As the penalty is a suspension penalty, timely passage of the Electricity Corporations Bill 2005 would recoup the \$11.5 million from 2004-05 and avoid the imposition of the \$11.8 million penalty in 2005-06, and is therefore worth \$23.3 million to Western Australia.

The NCC has advised the Department of Treasury and Finance (DTF) that it will finalise its assessment and payments recommendations, and send these to the Federal Treasurer on 4 October 2005.

David Morrison

DIRECTOR

STRUCTURAL POLICY

The letter is dated 22 September 2005, which is today, and it is also noted by the Treasurer, Hon Eric Ripper, under today's date.

I am absolutely astounded that the government would allow itself to be put in a position in which it could jeopardise another \$11 million or thereabouts because of its failure to manage its business in a proper manner. This is not the first time that this has occurred, and it is certainly not the first time that the opposition has had to assist the leader of the government in this house to bring the government's programs to fruition. I do not blame the leader of the government in this house, because I acknowledge that today he has had a number of discussions

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with the Leader of the Opposition to try to resolve this issue. This is an astounding situation in which we find ourselves, when this government allows itself to be put in this position in which it might jeopardise so many millions of dollars. That is my first point about the issues contained in this message.

The message from the Legislative Assembly indicates that it is not prepared to accept amendment 19 that was transmitted to the Assembly by the Legislative Council last week. That amendment contained a proposition that the Electricity Networks Corporation must spend in regional districts at least 50 per cent of the annual cost of managing, planning, developing, expanding, enhancing and reinforcing the south west interconnected system in respect of transmission and distribution systems, including facilitation of the connection of renewable energy generation. The same amendment goes on to identify and interpret what is meant by the words "regional districts". When the Liberal opposition agreed to support this amendment last week it did so because it believed that it was very important to recognise the difficulties that were being faced in country Western Australia with the failing network. We are very much of the view that a considerable amount of additional money needs to be spent in the country to upgrade that network. The government has now said that it is not prepared to agree to this amendment. The only saving grace as far as country people are concerned - this affects country members in both houses, but in particular those who rely on the country electricity system - is that the Liberal Party, during the committee stage of debate on this bill, moved an amendment to clause 50, the Regional Power Corporation's principal functions. The Liberal Party moved an amendment in schedule 5 to new clause 39A to review the reliability and quality of supply standards applicable to the Regional Power Corporation, and it also moved an amendment to the tariff equalisation fund. Without going into great detail, I indicate that those amendments will have a very significant effect on upgrading the network in country Western Australia. I thank the government for agreeing to these amendments because they are important. The first amendment, which has now been agreed to by the government, will require the Regional Power Corporation's systems that are covered under the Electricity Networks Access Code to be consistent with the requirements of the Economic Regulation Authority; that is, the Economic Regulation Authority will be able to set the standards for the network and the Regional Power Corporation areas. That was not the case before, although the Minister for Energy could have directed that certain areas be included under the purview of the ERA. However, these amendments put that in the statute, and make it mandatory. If it were not done, an action could be taken through the courts in due course rather than relying on the minister's discretion only. I am pleased that the Leader of the House, on behalf of the government, has accepted the amendments in this house that were moved by the Liberal Party opposition. They will go a long way towards assisting country Western Australia. The government has recognised the need for a considerable upgrade of the networks, both in the SWIS and in the Regional Power Corporation area.

We support the government's position that it will not insist on this amendment for the reasons that I have stated. If the house agrees that this amendment not be insisted upon, it will mark the end of the bill, as a message indicating the Council's position will be transmitted to the Assembly and, in due course, the bill will be assented to and will become an act. I hope that the various promises that the government has made about this legislation come to fruition. The legislation will now not only provide a tremendous opportunity for new generation opportunities in Western Australia, but also it will focus on the networks system across the lower part of the state - the Regional Power Corporation's area. That in itself, will be a huge step forward because, as you will be aware, Mr Deputy President (Hon Ray Halligan), I have said on a number of occasions during debate on this bill that when an independent audit is conducted of the networks system in Western Australia it will show that hundreds of millions of dollars will be required to bring it up to a reasonable standard so that it can accept newly generated power in certain areas. We will go along with the government because we do not want to jeopardise the whole of the bill over this issue. We will go along with the government, recognising that it has already agreed to those amendments to the Regional Power Corporation's functions that will go a long way to doing the sorts of things that were proposed should amendment 19 have been accepted.

HON NORMAN MOORE (Mining and Pastoral - Leader of the Opposition) [6.18 pm]: I do not propose to cover the ground already referred to by Hon George Cash about the way in which the government has managed this issue this week. He has made that very clear. I want to make a few comments about the subservience of state Parliaments to the National Competition Council. It is an outrageous state of affairs that we are sitting beyond the normal time for adjournment to deal with a bill because the National Competition Council said we had to. So much for the sovereignty of this Parliament when a letter is sent from the NCC to the Treasurer - the reply to which will be sent on 4 October, a date it has chosen - that determines when the state Parliament sits! I have had a few things to say about National Competition Policy Councils in the past. Although the coalition entered into that agreement when it was in government, subsequently, that agreement appears to have created an almost totally antifederalist system in which a non-parliamentary organisation is telling state Parliaments what to do and state governments what they can and cannot do with their money. The fault lies with both sides of politics. Competition policy was initiated by Keating, consummated by the states and the then Keating federal government and continued by the Howard government. The letter to which Hon George Cash referred

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demonstrates clearly the house is sitting now because a non-parliamentary body, established by the federal government, says we must pass legislation by a certain date otherwise the state of Western Australia will lose \$23.3 million. It is an outrageous state of affairs. The time has come for state Parliaments at least - state governments particularly - to have a good hard look at national competition policy to see whether it is in the best interests of the state.

Hon Kim Chance: Hear, hear!

HON PAUL LLEWELLYN (South West) [6.21 pm]: I supported the National's call for a 50 per cent allocation of the Electricity Networks Corporation's revenue being spent on networks in regional areas because, in principle, it made some good sense to supply services to regional consumers and because we have traditionally let down the regional areas in two ways: firstly, when the state government and successive state governments centralised regional power generation, they took away from regional areas the very thing that would have created a reliable power service for local communities. I understand - I was out of the house when some of this discussion occurred - that the government has accepted all the amendments moved in this place. I commend the government for that. Those amendments should have been in the legislation in the first place.

Hon George Cash interjected.

Hon PAUL LLEWELLYN: All the amendments have been accepted because they were based on sound thinking. I am talking not about my thinking but about the principles of good design for an electrical power supply system and for a sustainable power industry in this state.

I pointed out that the one concern I had about this legislation was that there was no power industry plan for Western Australia and that the government had chosen to make these institutional arrangements. It wants to break up a perfectly functional power utility - notwithstanding the issues Western Power faces - and relegate it to a market arrangement to achieve what? Lower prices for consumers. We pointed out in this place that consumers are not necessarily interested in lower prices; they are interested in lower priced electricity bills, so we have failed electricity consumers in this state by rearranging the deckchairs on the *Titanic*. It is an electricity system that we have insisted on keeping in the steam age, centralised, and dependent entirely on networking and transmission of power. We know that the weakest part of this system is the transmission sector and that Western Australia has the largest distribution network over kilometres per consumer than any other place on the face of the planet. Even Siberia does not have the power distribution issues we have created in Western Australia. We have been very lucky because when we rebuilt the regional power distribution system we used good, strong jarrah poles and relatively thin copper wiring. It has served the Western Australian community reasonably well for the time being. However, if we continue to use that centralised power generation with long distribution lines, we will go broke trying to maintain it. The cost of maintaining the power distribution system along tens of kilometres of copper wiring to households that use a few kilowatt hours a month is not the right approach. In fact, it is technologically backward to insist on perpetuating the design of an electrical power generation system that is dysfunctional. The communities in the outer south west region have changed their requirements for both quality and reliability of supply, and the state has an obligation to make changes alongside those changes. It is evident to me that the government is prepared to continue to patch up the system. The greatest fear of the Greens (WA) is that we will spend good public money patching up a system that should be redesigned and rebuilt. This is not just about meeting the needs of regional consumers. We added to Hon Murray Criddle's amendment the requirement to allocate 50 per cent of the network's budget to improve the system and to allow higher penetration of renewable energy. If we allocate resources to design the electrical distribution system from the outside in, we will relegate those communities to uncertainty and the entire Western Australian community to huge long-term costs in maintaining a faulty, steam-age, inefficient, backwards looking technology. I use the term back to the future. I will describe how Western Australia came to have the power distribution system it has.

The DEPUTY PRESIDENT (Hon Ray Halligan): Order! I remind the member that the debate on this motion is somewhat narrow. We are not revisiting the second reading speech nor the committee stages of the bill.

Hon PAUL LLEWELLYN: Thank you, Mr Deputy President.

I will be briefer than I have been in the past. How is it that we have managed to set up a system that is in a state of disrepair that will require hundreds of millions of dollars to be invested to bring it back to a shadow of its former self? How is it that we are at risk of choosing to patch up the system and to not invest in a revitalised, forward-looking technologically modern power distribution system? I am afraid that regional consumers will be left out of this formula. The way things are currently, it will be too expensive to maintain the quality and reliability of supply if we do not rethink, rejig and retool the electrical system of the state. To make that a reality the government will have to invest many millions of dollars. That money will need to be invested to not only upgrade lines to individual households - although that may be an option - but also rejig the system so that electricity is generated closer to the regional loads. Electricity generation must be located closer to the regions

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where it is distributed. Currently the power generating resource is dug up from in a central point such as Collie and is piped down from a gas field to another central point where power is generated and distributed through a vulnerable distribution system. We must invest in power generation at the edge of the grid. To do that requires a redesigning job rather than a patch-up job. If this house wants to make a stand for the modernisation of the power distribution system to better service the needs of regional communities than they are currently being serviced, we must plan to invest a significant and guaranteed amount of money into regional areas and to co-locate power generation in those areas.

The DEPUTY PRESIDENT (Hon Ray Halligan): Hon Paul Llewellyn needs to bring his argument back to why he does not insist that amendment 19 should be accepted by the Legislative Council.

Hon PAUL LLEWELLYN: The original amendment was fraught with a number of difficulties. The Greens (WA) amendment provided for a series of checks and balances and a review period after four years. That made some sense. It is disappointing that we run the risk of cutting loose two important principles. The first is the service requirement and delivery of quality service to regional areas. The second is the requirement to modernise and redevelop the power networks in regional areas in a way that will service the bigger needs of the Western Australian community with reliable, clean and safe power generation. We are cutting loose those two important principles.

I am reading through the amendment. Amendment No 4, which was put in place and which is sensible, states -

The minister is to review the operation of subsection 61(2) before the expiry of four years from the commencement of this subsection.

That is not a radical move. It means to take the investment that is available to us to upgrade the networks of the state. For the first four years, at the very least, 50 per cent of that capacity should be allocated towards upgrading the networks in the regional areas to facilitate the uptake of renewable energy. That would have had a clear, technical effect. This is a technical outcome. Hon Murray Criddle moved this amendment as an argument for social and regional equity. We have amended the bill to ensure that some technical effectiveness was built into that decision. It is disappointing that we will roll over on that so easily. We do not have to do that. We should spend some time negotiating a pathway that will meet the needs of regional people and meet the needs of modernising the power system responsibly, equitably, environmentally and technically in a sensible way. By rolling over on this, we run the risk of relegating the decision making to a lottery. We certainly run the risk of relegating this decision to a series of institutions that have proven they are incapable of making the decisions that need to be made. If they were capable, we would not have this problem. The problem is that regional networks are run down and there has been a lack of investment in them. These institutions have proven that they will marginalise renewable technologies and favour old technologies ahead of modernisation. We have an investment opportunity to progress and transform power generation in this state.

The DEPUTY PRESIDENT: I have given the member some considerable latitude, but I suggest that he is moving beyond the debate before the house and is returning to the second reading debate. The question before the house is that the Legislative Council not insist on amendment 19. It is as narrow as that. I ask the member to bring his remarks to that particular question.

Hon PAUL LLEWELLYN: This house is the very place in which we have an opportunity to call into question the logic and fundamental principles behind this legislation and to insist that we go back to the first principles. I understand that is why we are here.

The DEPUTY PRESIDENT: That is exactly what has happened. There is a process for legislation to go through each house of Parliament, and that is exactly what has happened. That opportunity has been presented to members and decisions have been made. When something of this nature occurs, we do not start from square one. There is a motion before the chamber, which is the motion to be debated and no other.

Hon PAUL LLEWELLYN: Mr Deputy President, perhaps you could restate the motion to me and I will be happy to address it specifically.

The DEPUTY PRESIDENT: The motion is that the Legislative Council does not insist on amendment 19.

Hon PAUL LLEWELLYN: This amendment was moved, first of all, on the principle of social equity; secondly, it was amended to achieve the concept of environmental justice and equity; and, thirdly, its aim was to achieve technical efficiency and modernisation. Notwithstanding that, sometimes a house of review such as this needs to take a stand to take matters a little further and to push and stretch the commitment of government to do things that at first do not seem easy to do. To some extent the amendment came out of left field and from a creative line of thinking about where to go with this legislation. I believe Hon Murray Criddle moved his amendment in good faith and the Greens (WA) amended his amendment in good faith because we could see an

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opportunity to move forward. I look forward to working with the government, if this amendment is lost and we have to go back to basics. We look forward to talking with the government about redefining the meaning of and creating a responsible power generation system for the state. I certainly support the amendment, not only because the Greens amended the clause to expand its meaning but also because it contained a sunset clause. This is not the end of the story.

Question put and a division taken with the following result -

Ayes (23)

Hon Ken Baston	Hon Adele Farina	Hon Sheila Mills	Hon Barbara Scott
Hon George Cash	Hon Jon Ford	Hon Norman Moore	Hon Sally Talbot
Hon Vincent Catania	Hon Graham Giffard	Hon Helen Morton	Hon Donna Taylor
Hon Kim Chance	Hon Nigel Hallett	Hon Simon O'Brien	Hon Ken Travers
Hon Peter Collier	Hon Ray Halligan	Hon Louise Pratt	Hon Ed Dermer (<i>Teller</i>)
Hon Kate Doust	Hon Robyn McSweeney	Hon Ljiljana Ravlich	

Noes (3)

Hon Murray Criddle	Hon Paul Llewellyn	Hon Giz Watson (<i>Teller</i>)
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Question thus passed; the Council's amendment not insisted on.

The Assembly acquainted accordingly.

House adjourned at 6.45 pm
