

ELECTRICITY CORPORATIONS BILL 2005

Committee

Resumed from an earlier stage of the sitting. The Deputy Chairman of Committees (Hon Graham Giffard) in the chair; Hon Kim Chance (Leader of the House) in charge of the bill.

Clause 61: Corporation to act on commercial principles -

Debate was interrupted after Hon Murray Criddle had moved an amendment to which Hon Paul Llewellyn had moved a further amendment.

Hon GEORGE CASH: The opposition had the opportunity of considering the amendment moved by Hon Paul Llewellyn to the amendment moved by Hon Murray Criddle. We believe that the words in their present form narrow the intention of Hon Murray Criddle's original amendment and we therefore cannot support it. However, I understand that Hon Paul Llewellyn may have reconsidered the form of words in his amendment and may seek the leave of the committee to withdraw the current amendment with a view to moving another to substitute other words. We are interested to learn those words, if that is the case.

Hon PAUL LLEWELLYN: I understand that the opposition is concerned that the amendment I moved will have the effect of narrowing the intent of Hon Murray Criddle's amendment by implying that networks upgrades will be primarily directed towards the facilitation of renewable energy generation. If that is a problem, it may be possible to amend the wording, which was written on the run, to ensure that the intentions of Hon Murray Criddle's amendment are not lost and that the practicality of moving an amendment to facilitate the installation of a renewable energy generation facility remains.

Hon George Cash: In that case, do you seek leave to withdraw those words?

Hon PAUL LLEWELLYN: I understand that what I must do at this point is seek leave to withdraw those words and reformulate the amendment in a manner that is more acceptable.

The DEPUTY CHAIRMAN (Hon Graham Giffard): The member is seeking leave to withdraw those words. Does Hon Paul Llewellyn have available the new form of words?

Hon PAUL LLEWELLYN: I will have to work on that and I am doing that as we speak.

Amendment on the amendment, by leave, withdrawn.

The DEPUTY CHAIRMAN: The member now wishes to substitute for the words that have just been withdrawn a new set of words. I will give Hon Paul Llewellyn a moment to write them down.

Hon PAUL LLEWELLYN: I propose to amend the words moved by Hon Murray Criddle to amend clause 61(2)(b). I move -

That the amendment be amended by inserting after the word "systems" in proposed subclause (2)(b) -
including to facilitate the connection of renewable energy generation

If the amendment is passed, the clause will read -

- (2) In respect of the function of the Electricity Networks Corporation referred to in section 41(a) -
-
- (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 to facilitate the connection of renewable energy generation in regional districts.

This amendment does not narrow the entire intent of Hon Murray Criddle's amendment to the clause but, in fact, adds to it. I remind members that in the past few weeks I have asked questions in the house about the allocation of resources to upgrade the transmission networks and the regional networks. In particular, I have asked about the allocation of resources towards facilitating renewable energy uptake in regional areas. Although we would like to separate the functions of these entities, the integrity of the electricity power supply system cannot be separated into networks, generation and retail as easily as we can separate the corporations. To guarantee an integrated power supply, it is absolutely essential that the networks work in synergy and cooperation with the entire system. This amendment intends to facilitate more deliberate investment in the networks in regional areas to develop renewable energy technologies and their uptake. I do not think my reworded amendment narrows the intent of Hon Murray Criddle's amendment.

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Hon KIM CHANCE: The government opposes both the amendment to Hon Murray Criddle's amendment and Hon Murray Criddle's amendment itself. Although I appreciate the work Hon Paul Llewellyn has done to clarify his amendment, I do not see that it makes any fundamental difference to the matters that I raised in expressing my concerns on the first version of his amendment, which has been withdrawn. Notwithstanding that this amendment is about facilitating the network connection of renewable energy generators, it is still something that is being done for the purpose of energy generators. I have absolute sympathy for what Hon Paul Llewellyn is trying to do, because this is a very important issue; however, it is being done in the wrong place. We dealt with generation in subdivision 2 of part 3. That is where we should have addressed generation issues. Hon Paul Llewellyn's amendment still detracts from the intent of Hon Murray Criddle's amendment, which the government does not intend to support in any case.

I will go to the broader question of the adoption of this amendment on the amendment and the amendment itself. I have been able to give some thought to the question that has been discussed of whether Hon Murray Criddle's amendment, whether or not amended, would create an appropriation or burden on the public. I have reached the view that that would probably be the case. The questions that Hon George Cash asked to be resolved actually provide some answers in themselves. I will take honourable members through why I have reached that conclusion. The Economic Regulation Authority sets standards in the industry by approving or not approving the access arrangement solution. That has a cost outcome. The government has already given its undertaking on the cost outcome of the adoption of the Economic Regulation Authority's recommendation. That is a matter of record. In itself, it is an appropriation, but, of course, the undertaking was given in the other place and is not part of the legislation. If we required on top of that a mandated formula for the distribution of funds within that area, it must create an element of appropriation. It is crossing the point of approving that mandate that, at the very least, would create a real prospect of an increased burden on the public. If it were required to meet those standards so determined, as well as the mandated requirement of 50 per cent, it would inevitably create a burden on the public. It could not have any other consequence. As I indicated, it is always dangerous to predict how a judgment on these matters will go. We have all been surprised at times by judgments on whether a particular action would create an appropriation. It is a grey area, which we all understand. However, the situation has become clearer, in my mind at least. I believe it is an appropriation and that it probably would and should be rejected on those grounds.

Hon MURRAY CRIDDLE: I am interested in what the Leader of the House said. Perhaps he will request a decision, without reflecting on the Chair. This is a very serious issue. My experience in the house tells me that there are a whole lot of other issues to which this outcome could be applied. With the concurrence of the Leader of the House, I will seek a resolution to this issue before we proceed any further. I know that it is my amendment. However, both the Leader of the House and Hon George Cash have expressed some concerns. I ask the Deputy Chairman (Hon Graham Giffard) for a ruling.

Point of Order

Hon GEORGE CASH: On the same issue, I earlier suggested to the committee that the amendment in its original form might breach section 46(3) of the Constitution Acts Amendment Act, which reads -

The Legislative Council may not amend any Bill so as to increase any proposed charge or burden on the people.

What I was trying to grapple with in my own mind was whether this amendment, which requires at least 50 per cent of certain funds to be spent in a particular way, imposed an additional burden on the government. If it did impose an additional burden, it would be in breach of section 46(3). However, in past years we have agreed in a number of cases that no additional burden would be imposed on the government but that the amendment would cause a sideways movement of funding. It could be argued in this case that the amendment does no more than cause a sideways movement of funding, rather than the imposition or burden of additional funding. I agree with Hon Murray Criddle that it would be helpful to the committee, Mr Deputy Chairman, if you would provide a ruling in that regard. I say that because this matter has very serious implications for what the Legislative Council can or cannot do with amendments that deal with government finances generally. I also recognise the desire of the Leader of the House to get on with this legislation. However, this is a very important point that needs to be resolved. The Leader of the House might want to report progress so that we can get on with other business - the Leader of the House will do what he wants. This is an important area that may need the Deputy Chairman's attention for some time. In that regard it might be convenient to move on to other items before we deal with these matters in due course, having regard to any ruling of the Deputy Chairman.

Hon Paul Llewellyn has moved to insert after the word "systems" in the amendment moved by Hon Murray Criddle -

including to facilitate the connection of renewable energy generation

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We argue that the words “including systems to facilitate the connection of renewable energy generation” should be inserted after “systems”. There is a significant distinction between the two propositions. However, that distinction need not be dealt with at the moment as a ruling is required on whether the chamber can proceed with the amendment, as moved in its original state by Hon Murray Criddle. I say to Hon Paul Llewellyn that the Liberal Party does not want any narrowing or diminution of the amendment moved by Hon Murray Criddle. It could be argued that the systems that Hon Paul Llewellyn wants included in this provision are already inherently covered in other areas of the bill. However, we recognise Hon Paul Llewellyn’s wish to emphasise that the Electricity Networks Corporation have regard to, and have the opportunity available for, where practical, renewable energy generation connection. That is another issue to be dealt with in due course. The first matter is the ruling.

Hon KIM CHANCE: Can you advise me, Mr Deputy Chairman, whether you have considered the matter and can make a determination on the question of whether a burden would be created on the people through this amendment?

The DEPUTY CHAIRMAN (Hon Graham Giffard): If contemplating the solution outlined by Hon George Cash, it would be my intention, if asked, to firstly deal with the question; that is, to suspend proceedings to briefly consider the matter. I am not in a position to rule on that matter at the moment. If the Leader of the House is contemplating moving to other matters, that could give me time to consider the question. I intend to suspend briefly to consider the question. That suspension would not take us through to the dinner break as it would take only a few minutes.

Hon KIM CHANCE: In that case, rather than start on other business, I ask that you leave the chair until the ringing of the bells - obviously I have not raised a substantive issue - to consider the question of whether a burden on the public would be created by amendment 10/61 and the foreshadowed amendment by Hon Paul Llewellyn to amendment 10/61.

The DEPUTY CHAIRMAN: I will leave the chair until the ringing of the bells.

Sitting suspended from 5.33 to 5.43 pm

Ruling by Deputy Chairman

The DEPUTY CHAIRMAN (Hon Graham Giffard): I have been asked to rule on the amendments moved by Hon Murray Criddle and Hon Paul Llewellyn. There is general agreement that the expression “charge or burden” refers to appropriations of money. An appropriation of money is a charge or burden on the people in the sense that it is a charge on public funds. An amendment to a bill that would increase expenditure from money proposed to be appropriated for that purpose is an amendment that would increase the proposed charge or burden on the people; that is, it involves an appropriation. In relation to an appropriation bill that appropriates a definite sum and is not for the ordinary annual services of the government, a loan bill or taxation bill, although the Legislative Council may not amend the bill to increase the amount of the appropriation, it is clear that the Legislative Council can alter the bill to change the allocation of the proposed expenditure and the purposes for which the money is to be appropriated, provided that the total proposed expenditure of the bill has not increased. The Electricity Corporations Bill is not an appropriation bill. The Legislative Council may amend the bill, but not so as to involve an appropriation. The amendment moved by Hon Murray Criddle seeks to require the Electricity Networks Corporation to spend a specified percentage of the cost of maintenance of the south west interconnected system and transmission and distribution systems in regional districts. If the amendment produces an effect which is merely the extension or variation of the existing activity of the corporatised government entity, it will not involve an appropriation. However, the imposition of a new legal and definable financial responsibility does involve an appropriation. This particular case is analogous to a redirection or reallocation of proposed expenditure. It is merely dividing the existing cake in a different way, not requiring that the cake be larger. I therefore rule that the amendments moved by Hon Murray Criddle and Hon Paul Llewellyn are in order.

Committee Resumed

Hon PAUL LLEWELLYN: It is always difficult to do these things on the run. I appreciate the Deputy Chairman clarifying that part of the amendment moved by Hon Murray Criddle. I also acknowledge the semantic differences between my proposal and the changes that Hon George Cash wanted to make to that. I will talk about the operation of this whole proposal over time. The first point is that it involves reallocating resources generated for the purposes of maintaining the state’s electricity network to country areas, where the biggest burden of distribution and system development lies, particularly since the Greens would like the regional networks to be augmented to facilitate the connection of renewable energy into the south west interconnected

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system. However, it is important to carefully examine proposed subclause (4) of Hon Murray Criddle's amendment, which deals with the review date for his proposal. My amendment currently reads -

To insert after the word "system" -

including to facilitate the connection of renewable energy generation

Hon George Cash has suggested that the words proposed to be inserted should read -

including systems to facilitate the connection of renewable energy generation

That is a slight amendment, but it produces a change in meaning. Again, I will need to withdraw my amendment on the amendment moved by Hon Murray Criddle and submit new wording, so that there will be more agreement in the committee about how to move forward.

Amendment on the amendment, by leave, withdrawn.

Hon PAUL LLEWELLYN: I move -

That the amendment be amended by inserting after the word "systems" in proposed subclause (2)(b) -

including systems to facilitate the connection of renewable energy generation

Hon GEORGE CASH: The opposition understands what the honourable member's amendment is trying to achieve. We believe that will be able to be achieved with the modified words. In that case, we will support the amendment before the chair.

Hon MURRAY CRIDDLE: Although I would have been happy with the amendment in its original form, I understand what the honourable member is doing. The member's amendment does not substantially change the basis of the amendment. Therefore, I will support it.

Amendment on the amendment put and a division taken with the following result -

Ayes (15)

Hon Ken Baston	Hon Nigel Hallett	Hon Helen Morton	Hon Donna Taylor
Hon George Cash	Hon Barry House	Hon Simon O'Brien	Hon Giz Watson
Hon Peter Collier <i>(Teller)</i>	Hon Paul Llewellyn	Hon Margaret Rowe	Hon Bruce Donaldson
Hon Murray Criddle	Hon Norman Moore	Hon Barbara Scott	

Noes (12)

Hon Shelley Archer	Hon Kate Doust	Hon Jon Ford	Hon Ljiljana Ravlich
Hon Vincent Catania	Hon Sue Ellery	Hon Graham Giffard	Hon Sally Talbot
Hon Kim Chance	Hon Adele Farina	Hon Louise Pratt	Hon Ed Dermer <i>(Teller)</i>

Pairs

Hon Anthony Fels	Hon Ken Travers
Hon Robyn McSweeney	Hon Sheila Mills
Hon Ray Halligan	Hon Matt Benson-Lidholm

Amendment on the amendment thus passed.

Hon MURRAY CRIDDLE: I want to ask the Leader of the House a question regarding proposed subclause (3) and the regional districts of the eastern gold fields, the great southern, the mid west, south west and the wheatbelt. I am wondering whether Peel is part of the south west interconnected system network. Will the minister give us some indication of whether it is? Obviously that is important regarding the amendment that has just been moved.

Hon KIM CHANCE: I am advised that the Peel region is certainly part of SWIS.

Hon GEORGE CASH: Does that include the local authority area of Boddington?

Hon KIM CHANCE: Yes, I imagine it does, since Boddington is part of the Peel region.

Hon George Cash: Are you saying that Boddington is included in SWIS?

Hon KIM CHANCE: Yes. That is the advice I have been given.

Hon Murray Criddle: Peel is not included on that basis. We probably should have amended it to include it.

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Hon KIM CHANCE: This is not the government's -

Hon MURRAY CRIDDLE: I am simply asking the question. We can amend clause 61(3) to satisfy the issue. I seek leave to amend my amendment as follows -

To insert after "South West" in proposed subclause (3) -

, Peel

Leave granted.

The DEPUTY CHAIRMAN: Is the intent of the member's amendment to have the amendment read "South West, Peel and Wheatbelt regions"?

Hon Murray Criddle: Yes. I believe we can probably sort it out in a while.

The DEPUTY CHAIRMAN: I note the time and I will leave the chair until the ringing of the bells.

Sitting suspended from 6.00 to 7.30 pm

Hon MURRAY CRIDDLE: I seek leave to withdraw that amendment on the amendment.

Amendment on the amendment, by leave, withdrawn.

Hon KIM CHANCE: The government will oppose this amended amendment setting aside the question of whether this creates a charge on the public, because that matter has been settled. It is important to separate that issue from the substantive issues that are raised by the amendment, as amended. The substantive issue, as precisely as I can put it, is: expenditure priorities for the Electricity Networks Corporation need to be independently determined on the basis of need rather than on a mandated and arbitrary percentage. The Economic Regulation Authority, as an independent body, is the appropriate entity to determine the level of expenditure required by the Electricity Networks Corporation. It does that through a transparent and consultative process which is specified within the electricity networks access code. Having established the role of the economic regulator in that matter, the government believes that this amended amendment would seriously jeopardise the Economic Regulation Authority's ability to undertake the regulatory role in the assessment of networks expenditure on the basis of need. That is a matter that is clearly set out in and established by the Electricity Industry Act 2004, legislation that we passed earlier. The access code, which I have referred to, is an outcome of that act. We have very carefully gone through the processes for those determinations. An attempt to mandate an arbitrary expenditure requirement would severely jeopardise the capacity of the economic regulator to fulfil its obligations under an act that we have already established.

When this same issue was debated in the other place members of the Liberal Party actually recognised the possibility that a mandate would establish a countervailing authority that restricted the economic regulator in the performance of its functions under the Electricity Industry Act. To some extent the proposal in this amendment, as amended, is a form of legislative adventurism. It is adventurism in that it fails to take into account the effect it would have on the legislative requirements that the Parliament has already committed itself to by the process it has established for the economic regulator under the Electricity Industry Act.

It is quite different from the argument about an appropriation. It is an argument which I think will cause the other place to reject the amendment, and should the Legislative Council be of a mind to vote for it, the bill will come back to this place and we will debate it again.

I had a private discussion with Hon Paul Llewellyn outside and I am sure he will not mind me mentioning this -

Hon Paul Llewellyn: I do mind.

Hon KIM CHANCE: In that case, I will not mention it. Hon Paul Llewellyn would not object to me saying that I agree with him that it is important that we have the kind of discussions we have had about the philosophy and the outcomes of this legislation. In considering that it was valuable to have had that discussion, let us not forget what this amendment would do. It would detract from a course that we determined when we passed the Electricity Industry Act in 2004.

The government will oppose the spirit and the principle of the amendment, as amended.

Hon PAUL LLEWELLYN: I need some guidance. I wish to speak about clause 61 in response to the comments Hon Kim Chance made about the amendment, as amended. The amendment introduced by Hon Murray Criddle sets out a bit about expenditure for the networks business of Western Power. However, I make the point: why should an amendment like that be introduced? As representatives of the regional areas - I am one - we are not confident about how the Electricity Corporations Bill and the electricity industry legislation will play out in the marketplace and in the political economy of this state so that we will receive a fair and equitable

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delivery of services and a responsible delivery of infrastructure development in regional areas. I re-emphasise that this is not a debate that it is nice to have had; this is a debate that we absolutely have to have in the public interest of Western Australia. It is a credit to Hon Murray Criddle and the National Party that this matter was introduced. The access code to which the Leader of the House referred is intended to provide through the Electricity Industry Act a rational basis for renewable energy access and it has been a somewhat flawed process. It has involved community and industry groups, but there is a lack of confidence in the capacity of those regulations to deliver an outcome that is in the best interests of regional Western Australia and in the best interests of designing a robust electrical system that includes renewable energy.

This is where we on the opposition side might have a slight disagreement. I will tell members why clause 61 is fatally flawed. It states that the corporation must endeavour to make a profit, consistently - which is clear - with maximising its long-term value. That clause was effectively taken out of the Electricity Corporations Bill that has governed Western Power for the past nine or so years. That clause was Western Power's directive, no less, to maximise its profits and returns, which it used consistently to block out competition - it was anti-competitive. That clause still exists in this bill, and it states -

endeavour to make a profit, consistently with maximising its long-term value.

It also states -

act in accordance with prudent commercial principles;

That is a good part of the clause, but to always make a profit and to always maximise that profit is anti-competitive and it is one of the things that the Greens (WA) had a lot of problems with in the corporations bill from the beginning, and which we continue to have problems with: that is, directing a quasi-public entity to always maximise its profits. This clause tempers that provision and states that we should allocate some resources into regional areas. As we found, that means a shift sideways; it is a re-allocation as opposed to an appropriation. I fully appreciate that there is a grain of truth in the comments made by the Leader of the House that this is not how the government intended this bill to work and that this has come out of left field. It is exactly the case that it has come out of left field and it is right that it should come out. If it needs to go to the other house to be re-debated, it is right that that should happen; it is right that there should be an opportunity for regional Western Australians and people interested in the long-term stability of our electrical power system to responsibly develop renewable energy and a new industry that would serve not only the private quasi-corporate interests, but also the long-term interests of the community and the stability of the electrical power supply for Western Australia. It is right that this bill should go back to the other house to be debated, and it is right that we should stand by this amendment.

Amendment, as amended, put and a division taken with the following result -

Ayes (15)

Hon Ken Baston	Hon Nigel Hallett	Hon Norman Moore	Hon Donna Taylor
Hon George Cash	Hon Ray Halligan	Hon Simon O'Brien	Hon Giz Watson
Hon Peter Collier (Teller)	Hon Barry House	Hon Margaret Rowe	Hon Bruce Donaldson
Hon Murray Criddle	Hon Paul Llewellyn	Hon Barbara Scott	

Noes (12)

Hon Shelley Archer	Hon Sue Ellery	Hon Graham Giffard	Hon Sally Talbot
Hon Kim Chance	Hon Adele Farina	Hon Sheila Mills	Hon Ken Travers
Hon Kate Doust	Hon Jon Ford	Hon Louise Pratt	Hon Ed Dermer (Teller)

Pairs

Hon Helen Morton	Hon Ljiljana Ravlich
Hon Robyn McSweeney	Hon Vincent Catania
Hon Anthony Fels	Hon Matt Benson-Lidholm

Amendment, as amended, thus passed.

Hon MURRAY CRIDDLE: I move -

Page 36, after line 3 - To insert -

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- (4) In respect of the function of the Regional Power Corporation referred to in section 50(c) -
- (a) subsection (1) does not apply; and
 - (b) the corporation is required to offer an off-peak pricing schedule comparable, in so far as practicable, to that offered to customers supplied by the South West Interconnected System.

I met with some bakers in Esperance who worked night shift, and they explained that at times they were unable to access off-peak power when people on the south west interconnected system were able to do so. Their businesses were competitive with franchises and the like. There is a difference there and this amendment seeks to overcome that issue.

Hon PAUL LLEWELLYN: Is there a provision for off-peak power tariffs for regional and country areas? I would like to clarify why it is really important for demand management and load management on the SWIS to have an off-peak tariff. It relates to the potential for new metering technologies to provide an incentive for consumers to not only reduce their electricity bill but also shift their load from peak areas to off-peak areas. This is extremely important in the management of the loads on the SWIS. Members will be aware that from time to time consumption on the grid peaks. During those peak times load crises occur on the network. It is the time of the highest risk of systemic failure across the whole of the grid because everyone turns on their power at the same time. Smart meters, which can reschedule loads from one period to another to reduce the electrical impact on the system, will achieve not only systemic stability in the electrical system but also economies for consumers. That makes a lot of commonsense.

In addition, off-peak power is extremely expensive to produce. The more we can take the load off the system during peak time, the cheaper it will be for the generators and system managers to supply that need. Although it costs slightly more than 4c a kilowatt hour to generate base-load power at the most efficient gas or coal-fired power station, it can cost dollars per kilowatt hour to produce power at peak times. Although Hon Murray Criddle's intention in moving this amendment is to achieve cross-regional equity, it has extremely practical technical advantages. What is the situation with off-peak power rates for regional grids?

Hon KIM CHANCE: I will deal first with the second question about off-peak power. Off-peak power is available almost anywhere in the world when we are out of the peaking cycle. The peaking cycle is when maximum demand exists and energy with the highest marginal cost is being marketed. During that off-peak time, such as overnight, when there is a large base-load component of the power generation process, such as a coal burner or a nuclear generator, the marginal cost of that power is very modest and we can afford to discount that power to encourage consumers to uptake that base-load power to increase the marginal price returns. When power is generated with a diesel engine, for example in Meekatharra, the cost of running the engine does not vary. It is the same during the night as it is during the day. It could be even higher during the night because of the penalty rates to operate the energy, so there is no prospect of offering off-peak power to consumers in Meekatharra, whereas there is for someone drawing off a grid that is being supplied by coal burners, for example, at Muja. When there is a commercial and a practical option of offering off-peak power, it can be offered. It is a pretty simple proposition.

Hon Norman Moore: We do not charge based on the cost of producing power in every town. People in Meekatharra pay the same rate as the people in Collie.

Hon KIM CHANCE: Yes; I understand that.

Hon Norman Moore: The cost of producing power in Meekatharra is irrelevant.

Hon KIM CHANCE: It is not, because the generating plant at Meekatharra does not have a peak and an off-peak cost cycle. Peak power costs a lot of money. The marginal cost of the production of peak power is more expensive than base-load power.

Hon Norman Moore: I understand that argument, but when there is a uniform tariff system, it doesn't matter what it costs to produce it in different places; the price is still the same.

Hon KIM CHANCE: With respect, that is not relevant to the question of peak power from a single-power generation plant. If there is capacity to provide power at low cost and we want to encourage more use of power in that off-peak time compared with peak time - that is, there is a variation in the marginal cost of the power we are out turning - we have the capacity to offer off-peak pricing. When there are no variables in the out-turn price, we do not have the capacity. It is as simple as that. Whether the out-turn price is subsidised by one means or another is irrelevant; it is more the variation in cost of production from each power plant that is relevant to peak and off-peak pricing policy.

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Hon Norman Moore: Absolute rubbish.

Hon KIM CHANCE: It is not rubbish; I am sorry.

Hon Norman Moore: I know what you are saying but the point is if you have a uniform tariff policy, you can charge whatever you like whenever you like because -

Hon KIM CHANCE: If Hon Norman Moore wants me to say subsidies distort the market, I will say that they do, but it does not make any difference to whether peak and off-peak policies are relevant. They are still relevant because there are still times of the day in Meekatharra in which we, as a power retailer, want to encourage people to use more power and there are times when we want to encourage people to use less power.

Hon Norman Moore: I will send the speech to the people in Meekatharra.

Hon KIM CHANCE: They would be the first to understand it because they know -

Hon Norman Moore: No; they believe that they should have access to cheap power, just like everybody else.

The DEPUTY CHAIRMAN: Order, members! The Leader of the House has the call.

Hon KIM CHANCE: I can scarcely believe that we are discussing this amendment, part of which would cause clause 61(1) to not apply. The effect of that part of the amendment would be that the corporation would not be required under the legislation to act in accordance with prudent commercial principles. I cannot believe a Parliament in 2005 is proposing to remove that provision.

Hon Murray Criddle: That happens all the time.

Hon KIM CHANCE: It happens all the time! I am sorry; it just will not happen while this government is in office.

Hon Murray Criddle: Do you give a subsidy anywhere else?

Hon KIM CHANCE: Perhaps the member misunderstood what I said. I said that removing clause 61(1)(a) would have the effect of removing the requirement for the corporation to act in accordance with prudent commercial principles. The member may have an argument with subclause (1)(b).

Hon Murray Criddle: But it is applicable.

Hon KIM CHANCE: Any corporation that is established by an act of Parliament must be required to act in accordance with prudent commercial principles. I would not have thought we would have an argument about that. I would have thought that our argument might have been about clause 61(1)(b), which requires the corporation to endeavour to make a profit. There is room to argue about that provision, but I cannot see that there is room to argue about prudent commercial principles. I would have thought that a pretty basic expectation of the public of us as legislators would be that, in constructing legislation for a purpose such as this, we would require that prudent commercial principles be observed.

Although the government will not support this amendment, I put on record the fact that amendment 51/50 in the name of Hon Murray Criddle on the supplementary notice paper, which we will deal with provided the committee is of a mind to recommit the bill, is much better wording and would achieve the same effect as paragraph (b) of the amendment. I indicate that the government will support all the components of Hon Murray Criddle's foreshadowed amendments to clause 50. We certainly are sympathetic to the view. I think that the words expressed in Hon Murray Criddle's proposed amendment to clause 50 would be a better way of achieving things. However, we certainly cannot support the deletion of the effect of subclause (1), which requires prudent commercial principles to be observed.

Hon PAUL LLEWELLYN: I want the Leader of the House to answer the question, which was: is there any provision that allows for off-peak pricing in regional areas? Currently, there is no provision to allow for off-peak prices or differential pricing across time periods. I will challenge the notion that there is no technical or financial economic advantage in load shifting on a small system. I think the argument that the Leader of the House made was that there is no technical or economic advantage. However, there are clearly technical and economic arguments for load shifting. After all, we are putting in place a market-based model, a corporate model. Using the same logic, load shifting would be able to be achieved. I will give members an example. A very large entity such as Murdoch University might consume lots of power for its airconditioning units. That is very expensive in peak times, when everybody else has their peak loads. Airconditioning units take the heat out of the air and provide a cool service to people in a room. If refrigerators were run in the off-peak period and stored large quantities of ice or a substance that holds a lot of cool air, the cool air could be discharged back into the system at off-peak times instead of running the airconditioners at peak time. Two things would be created: first, there would be an economic advantage based on load shifting, and, secondly, the electrical load would be

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shifted in time. Those two benefits are extraordinarily important. Is there any provision within the regional networks, which will be liable under the legislation, to allow differential pricing across time?

Hon KIM CHANCE: The answer in the exact terms that the question was asked is no. However, within the functions and powers of corporations generally - this applies generically, and not just to the networks - the answer is that clause 59(3)(b) provides that capacity. It allows the corporation to enter into any contract or arrangement. Obviously that includes off-peak contracts.

Hon PAUL LLEWELLYN: That is extraordinarily generous. We have talked about the technical and financial reasons that off-peak metering and trading would be allowed. A tariff equalisation fund has already been built into the corporations bill to achieve a social equity charter, or a community service. It was added to achieve some equity across regions within the south west interconnected grid; in other words, people in regional country areas are not paying the true cost of delivering power to them. The tariff equalisation fund basically cost shifts from providing the power to the edge of the grid to the grid in metropolitan areas. In fact, that is a regional cross-subsidy. Is there any logic in providing some capacity in other regional grids for people to minimise or load shift, and therefore cost shift, their power consumption? That is what this proposal will do. Why can we not be prudent about the way electrical loads are managed? By that I mean reschedule the load for keeping the coldies cold and the chooks and icecream frozen in the freezer. There would be no impact on the utility, but the load would be shifted and a social and economic good would be created. There are differential load values in small systems when those diesel gensets are peaked. There are technical differential impacts. However, in the free market - that is, in the spirit of corporate development, in which we leave it all to the market and hope for the best from corporatisation and disaggregation - why would one think about a simple matter of rescheduling loads and making the system more efficient? That is what is at stake. I am not yet convinced that we have a really good answer to that.

Hon KIM CHANCE: Clause 61, which is the clause under consideration at the moment, has an interesting heading when considered in the light of Hon Paul Llewellyn's comments. The heading is "Corporation to act on commercial principles". That is the whole purpose of the electricity reform process; to enable better commercial outcomes from what is currently a monolithic, state-owned corporation, if I am allowed to say so, in the East German or Stalinist style. That is what we have now. We are trying to achieve a better commercial outcome. The comments that have just been made would have been perfectly legitimate if we were not dealing with the very clause of the very bill that sets out to achieve more commercial outcomes. If the member does not like having a more commercially focused corporation, the member should vote against the bill. We cannot make changes to bits and pieces of a clause that the member does not particularly like, because we will end up destroying the whole concept that the legislation is established to carry out.

Hon Norman Moore: That never worried you when you sat over here.

Hon KIM CHANCE: I am giving the Leader of the Opposition back the speech that he gave me a couple of times.

Hon Norman Moore: I can give you a few examples if you like.

Hon KIM CHANCE: I can remember the School Education Bill. I thought we had a few examples.

Hon Norman Moore: And the Curriculum Council Bill that you ruined.

Hon KIM CHANCE: Just as well we did.

Hon Norman Moore: It has come home to roost now.

Hon KIM CHANCE: Not at all. The state has a great education system as a result of what we did to the School Education Bill. However, that is diverting a little.

Under the new arrangements, the Electricity Networks Corporation will be required to pay funds into the tariff equalisation fund in the manner prescribed by the government of the day to match the Regional Power Corporation's revenue shortfall. In turn, payments will be made from the fund to the Regional Power Corporation. Payments that are made by the Electricity Networks Corporation to the tariff equalisation fund are not automatically transferred to the Regional Power Corporation. That is in recognition of the fact that the detailed methodology of the operation of the fund is yet to be completed. That is really pending Parliament's approval of the bill. Nonetheless, the tariff equalisation fund is there clearly for the purpose of overcoming those potholing issues that occur in regional power supply. It is the same concept as that with tariff equalisation, which was something that the Gallop government reintroduced. It had been part of the state's system previously and had been dropped, but it was reintroduced by the Gallop government. The tariff equalisation fund is a guarantee within the act that there is a methodology to continue that process. That is not a commercial process,

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but at least it is a process that is carefully structured into the legislation to modify the legislation to some extent in a real way. It is part of the legislation and part of the process.

Hon Paul Llewellyn: That is the corporate commercialism you have when you do not have it.

Hon KIM CHANCE: Sometimes we must modify the effects of a full commercialisation process. Again, if Hon Paul Llewellyn does not want it, I recommend that he vote against the bill.

Hon MURRAY CRIDDLE: The Leader of the House said in his statements that he was happy with the amendment to clause 50 if we did not go ahead with this one. Is that right?

Hon Kim Chance: We are happy to support your clause 50 amendments in total.

Hon MURRAY CRIDDLE: One of the issues is the off-peak pricing schedule comparison. Is it the view of the Leader of the House that those sorts of arrangements can be picked up in the amendment that flows from it?

Hon Kim Chance: Yes.

Hon MURRAY CRIDDLE: Will the Leader of the House explain to me, for the purpose of assurance, how it would happen? I understand there are regulations in the code and so forth.

Hon KIM CHANCE: The reference to services provided by the Electricity Retail Corporation is broad, but among those services is included the concept of off-peak power. As I said earlier, all corporations have, through clause 59(3)(b), that generic capacity to provide off-peak power in any case, but to the extent that the Electricity Retail Corporation can offer a range of services, the Regional Power Corporation is quite specifically enabled - rather than generically - by this amendment to provide those same services or services comparable to those provided by the Electricity Retail Corporation, including off-peak power contracts, provided that it is practicable. There is that saving clause in the bill which reads "and which, so far as is practicable" - if it is not practicable it will not happen anyway - "are comparable to the services provided by the . . . Corporation". Does that answer the question?

Hon Murray Criddle: It does, but "so far as is practicable" is in the amendment that we are discussing. The assurances I am seeking are, first, that it is achievable under the second amendment and, secondly, that the Leader of the House agrees to go through with clause 50 if we move on from here.

Hon KIM CHANCE: Yes, to both.

Hon MURRAY CRIDDLE: The issue really is that it can be picked up. The amendment that I have moved contains "in so far as is practicable", which could be applied in both cases. However, could off-peak power be offered to an individual in the regional network?

Hon Kim Chance: Yes, absolutely.

Hon MURRAY CRIDDLE: Is that regardless of the amount of power that the individual uses? There is no stipulation at all; there could be a contract. Is that right?

Hon KIM CHANCE: Yes, indeed. It most certainly can be provided to an individual. A larger consumer would have a much better chance of being able to negotiate it, because a larger consumer can negotiate a contract with the power provider, but I think Hon George Cash was about to pick up that point.

Hon GEORGE CASH: I have listened with interest to the comments by all members about this amendment. From a Liberal Party perspective, I am keen that off-peak pricing schedules be made available to consumers. With respect, how that is done in the bill matters not at all as far as I am concerned, as long as we achieve the objective. If, as the Leader of the House said, that can be picked up with the proposed amendment to clause 50, the Liberal Party will support clause 50. I ask Hon Murray Criddle whether he proposes to continue with amendment 12/61. In posing that question, I am a little concerned that clause 61(1) will not apply. Some of my reasons for concern include matters raised by the Leader of the House. When we consider whether the corporation should observe prudent commercial principles and whether it should endeavour to make a profit consistent with maximising its long-term value, we are entering into a completely different argument. As long as the corporation is able to provide an off-peak pricing schedule, we would be satisfied with the later amendment proposed to be moved by Hon Murray Criddle. The Leader of the House has referred on a number of occasions to clause 59(3)(b), which refers to powers generally.

Clause 59(3) reads -

A corporation may for the purpose of performing any function -

. . .

(b) enter into any contract or arrangement; . . .

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I would be surprised if that is directed at off-peak pricing. The Leader of the House is drawing a fairly long bow by including that. However, it would probably be possible for it to apply if the question was raised about whether there was the authority to do it. With respect to clause 99, "Matters to be included in statement of corporate intent", and clause 59(4)(b), does the community service obligation include an off-peak pricing schedule?

Hon KIM CHANCE: I do not think so! I truly believe that quoting clause 59(3)(b), which refers to powers of a corporation to enter into any contract or arrangement, is not a long bow at all to determine whether off-peak contracts can be negotiated between the corporation and a client. It means what it says. It does not attempt to be definitive. Clause 59 is broadly delineated as powers - that is, powers of the corporation - and it comes under the heading "Functions, powers and related provisions". It is an umbrella recognition of what the powers of the corporation can be. When the bill states that the powers of the corporation are to enter into any contract or arrangement, that clearly contemplates contracts and arrangements between the corporation and its clients in matters of price and variability of price, and matters of supply and supply quality. I would have thought that they would be - as they are now - fundamental components of contracts entered into between clients and Western Power, as it now stands. That form of contract is not unusual; in fact, that is the standard way business is done. It is not done off the tariff; it is done by way of contracts, and those contracts are highly variable. I think that clause 59(3)(b) simply reflects a clause that already exists in Western Power's legislation. I do not know that for sure, but I would be very surprised if Western Power's legislation does not have a similar short but very meaningful clause that entitles it to do that. I have lost my place.

Hon George Cash: I believe you have answered the question.

Hon PAUL LLEWELLYN: Again, what this is highlighting is the lack of trust in the community about the capacity of the corporate entities to deliver a community service. This is no different from the Telstra debate. Electricity consumers in regional areas and remote areas must be assured that they will have the same commercial opportunities and electrical services as anyone else. Hon Kim Chance said that this bill is designed to provide better commercial outcomes. However, only the corporations will achieve better commercial outcomes. There is an ongoing tension between setting up a corporate entity with free rein in the market and then reining in that entity when we need to. I am not convinced - as I said, I did not see this amendment until this afternoon - that this is just a commercial issue. This is a technical matter about ensuring that the electricity supply system of the state operates efficiently across the board. We are talking about the load-shifting capacity to reduce costs to the community and operators, and that will be efficient for both the producers and the consumers. Differential pricing across time and the capacity to load shift - in other words, the capacity for a consumer to choose to consume power in off-peak periods when it is cheap not only for the consumer but also for the generators, and to consume power when it is expensive and on-peak - should be fundamentally embedded in this legislation, because it provides for good -

Hon Kim Chance: It is; I have made that point.

Hon PAUL LLEWELLYN: The point I believe the Leader of the House made is that if the corporate entity has carte blanche to endeavour to make a profit and consistently maximise its long-term value, it will somehow or other write differential pricing into a contract. That provision must be put into the statute in the same way that is being done with the Telstra bill. If the government is serious about it, it should put that provision in the legislation. I know that this upsets the applecart, because all we want is a perfect free-market model. I think I have demonstrated that I am not opposed to markets. I am suggesting, and I said this in my first speech on this matter, that because of the nature of the electricity industry it must be managed with both competition and cooperation to achieve stable systems and outcomes for both the economy and power generation. As I said, I believe that Hon Murray Criddle introduced this amendment primarily to support regional consumers. However, it will have other technical implications. In effect, the amendment states that the corporation will be required to offer off-peak pricing schedules comparable, in so far as is practicable, with those offered to customers supplied by the south west interconnected system. That is dealing only with the pricing. There is also a technical outcome. I do not believe that will be picked up in the other clauses.

Hon MURRAY CRIDDLE: I have listened closely to the debate. I understand what Hon Paul Llewellyn has just said. However, given the assurance from the minister that these issues can be picked up in the clause that follows, which will become clause 50, I seek leave to withdraw my amendment.

Amendment, by leave, withdrawn.

Postponed clause, as amended, put and passed.

Title put and passed.

Bill reported, with amendments.

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Often I have returned from the paddock to find smoke everywhere while my wife was trying to do the washing and ironing.

Country people must be able to access these services. We must have a good network and reasonable generation. Only today I made the point about the wind farm in the north being limited by the amount of power it can put into the network, purely and simply because the capacity is not there to shift it around the state.

On behalf of the National Party, I made the point about off-peak power. I understand that the last amendment considered in committee will go some of the way towards bringing relief to country people. I hope, in a practical way, that is put in place. Those people need to be able to run their businesses in the cheapest possible way. Country people are currently facing enough issues - for example, the state of the roads and fuel costs - and they should not have an extra burden placed on them. If we want to encourage people back to the country, the whole of the network and pricing arrangements need to be equitable across this state.

I made the point on the three issues concerning 50 per cent of the moneys from the capital and maintenance program to be spent on the south west interconnected system. It will be interesting to see how that plays out. Obviously there will be a review in four years. I thank Hon Paul Llewellyn, Hon George Cash and other members of the opposition for the way they handled this issue by taking into account the point I was trying to make. They said earlier that they agreed with the principle, but did not know how we would come to a resolution. I am very keen that an assurance be given that the money for the regional improvement works program will go towards solving the worst 10 problems.

I am still concerned about the headworks charges and the cost of linking up to the network. These are the issues we will have an ongoing battle about. The National Party has made its point from day one. I understand the numbers in this house but I want people in rural and regional areas to know that today's debate was about looking after them. I thank the opposition and Greens (WA) for their support in some of those areas. Obviously the government has its point of view. I understand the commercial realities, but the state is responsible for providing the services that are required across the board and power is one of them. Obviously there are others, such as road and rail.

Hon Kim Chance: We also supported some of your amendments.

Hon MURRAY CRIDDLE: I realise that and I am grateful for that.

I appreciate the work done by the Leader of the House and his advisers in dealing with those issues. We did not agree on every issue, but at least we had meaningful discussions on the way through.

HON GEORGE CASH (North Metropolitan) [8.44 pm]: Some weeks ago the Liberal Party attended a briefing with representatives from Western Power Corporation. One of the major issues that came out of that briefing was that Western Power Corporation was looking for certainty in its future operations. The corporation's representatives wanted to know one way or the other whether the Electricity Corporations Bill 2005 was to be supported. If it was to be supported, with the three entities being created as well as all the other things this bill does, it would give Western Power Corporation the opportunity to move forward. Equally, if it was not to be supported, it wanted that certainty so it could get on with the job without the establishment of the three corporations that are provided for in this bill.

After significant parliamentary time, we have come to the point at the third reading at which the house seems agreed that three corporations should be established; that is, generation, networks and retail as well as the Regional Power Corporation. In that regard the Legislative Council has done its job in the manner that is expected of it. A lot of work still needs to be done before the assets and liabilities of Western Power Corporation are distributed across the various entities. That is an area on which we have not spent a lot of time while dealing with this bill, although it was raised on a number of occasions when the general concept contained in this bill was discussed some years ago in the debate on electricity industry matters.

From a Liberal Party perspective, obviously we were interested in both the metropolitan area and country Western Australia achieving quality and reliability from the opportunities that will be provided for generation and networks and the great opportunities that can be provided within the retail sector from the sale of electricity. Clearly, we also wanted to see that the Regional Power Corporation would be a success when it was dealing with country Western Australia.

All members on this side of the house, including the Greens (WA) members, have made the point that the current network is inadequate. There is no doubt about that and I have made the point on a number of occasions that an independent audit in due course will show just how inadequate the current network is.

Some of the amendments that have been passed will assist in the maintenance programs that will be required over a number of years to upgrade the network. As Hon Paul Llewellyn said on a number of occasions, we

should not look at just the poles and wires in respect of electricity generation and sale in this state, but at the wider issues of how electricity is generated and distributed and where the various facilities are located across the general system. In that regard we were quite happy to support the Greens in trying to embed in the bill an indication that we want to move forward on the opportunities that renewable energy will provide, not only now but also into the future. The Liberal Party believes that the bill that has emerged from committee is far from perfect, and that will be demonstrated over the next few years as the government grapples with the management of these new corporations.

As far as providing employment and social and general economic opportunities for this state, the bill and the corporations are a step in the right direction. It is now up to the government. One of the very important aspects of this legislation as it has emerged from committee is that the government has given a commitment to a price cap for a period of years. I single out my colleague in the lower house, the member for Leschenault, the shadow Minister for Energy, who has impressed on his Liberal colleagues that, apart from protecting the country and metropolitan areas in trying to achieve the quality and reliability of the electricity service across the state, it was critical that the government give a commitment for a cap on prices, particularly for residential and small business consumers. I am pleased that the Minister for Energy, Hon Alan Carpenter, has given that commitment. My only regret is that it is for a period - I think four years at this stage. My view is that all the issues about the problems associated with the electricity industry as it is at the moment in Western Australia will not emerge in the next four years; it will take longer. Regrettably, some problems will emerge after the price cap expires. We may see an attempted increase in the cost of power imposed by the government, which will be justified by saying that the networks are not up to date. We have said from day one that a lot of issues have not been brought to the fore - a lot of issues that the government is very aware of now but has not made public - but those issues will become public over the next few years. We serve notice on the government: do not use the failing system as an excuse to raise prices, because we will monitor the price of electricity through all the various tariff schedules for a considerable time to ensure that the commitments made by the government when it introduced this bill are carried out and that the government does not start hiding behind some of the other issues.

I think the amendments made to the bill have put the country people in Western Australia in a better position, but from the government's perspective it will be a very expensive proposition to carry out - very expensive - and I am unsure at this stage whether all members of the government know the huge amount of money that will need to be spent on the system to bring it up to scratch. I do not mean just for the current generation of electricity in Western Australia but so that it will be able to cope with the additional power generation which is sorely needed across the state and which will provide additional jobs in the community.

I also want to make mention of the ruling made this afternoon about clause 61. The amendment moved by Hon Murray Criddle will require at least 50 per cent of certain funds to be spent in a particular manner. The reason I urged the Leader of the House to seek a ruling - in the end, I think Hon Murray Criddle formally sought the ruling - was so that we could establish, as a matter of currency, just whether the amendment that was being proposed would increase expenditure and create a burden on the state or whether the amendment would mean some money would be moved sideways and not be seen to be an additional burden on the people. I am interested in the Deputy Chairman's final sentences of that ruling, which state -

This particular case is analogous to a redirection or reallocation of proposed expenditure. It is merely dividing the existing cake in a different way, not requiring that the cake be larger. I therefore rule that the amendments moved by Hon Murray Criddle and Hon Paul Llewellyn are in order.

I do not query that ruling. It is a fair ruling about the interpretation of section 46(3) of the Constitution Acts Amendment Act. However, this ruling will potentially have a significant impact on the government's spending patterns if it remains in its present form. That is something this house will have to cope with over time. It can also be argued that, whilst this is the ruling in the Legislative Council, there have been other occasions when amendments have been referred to the Legislative Assembly and the Legislative Assembly has taken a different view. It will be interesting to see what view is taken about this matter. I, for one, support the ruling of our Deputy Chairman. As I have said, I think it is the correct ruling. The good news is that he was able to come to that decision in a relatively short time, which indicated that he had been thinking of that issue for some time.

With those comments, the Liberal Party supports the third reading of this bill. I will watch with interest the government's future budgets in this place, because the ruling given today will provide significant opportunity for the opposition, with the support of the National Party and the Greens (WA), to consider the redistribution of certain funds for the benefit of all in Western Australia and not a select few as is currently the case when we see the government's budget and its general appropriation program.

HON BRUCE DONALDSON (Agricultural) [8.55pm]: During the second reading debate I said that I was still concerned about the network and the funding that would be required for the maintenance and upgrading of

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that network. I likened the situation to that in the Water Authority of Western Australia and said that it had been a dismal failure. I said that I hoped that in four or five years I do not have to turn around and say, "I told you so." It does worry me, because this is not a revenue-raising section of the corporation. If third party access is available and the new generation competition that comes into the field is chasing that third party access to the distribution network, charges will be applied. The government has also committed X number of dollars in its lead-up to the election, together with promises and commitments, to ensure that there is sufficient funding to carry out the necessary upgrades and maintenance. The coalition government went to the 2001 election with a commitment to spend \$1 billion over 10 years, and \$500 million of that was to be spent on the network in country regions, which worked out at approximately \$50 million a year. I think that is the sort of figure the government has been referring to as well. It is an expensive exercise. We all welcome the fact that power has been brought onto our properties. It was very convenient compared with having a thumping diesel somewhere on the property with all its associated problems. The point Hon Murray Criddle raised - I know it is not in the bill - is something that disturbs me, and that is the inconsistency in pricing for people to go onto the network. I keep getting queries from constituents about that. This has nothing to do with the bill, but this will form part of a network in future. There could be a temptation to gain additional revenue for the network by increasing those charges for people who are connecting. That idea does fit very well. The Leader of the House looks surprised.

Hon Kim Chance: If it were not for the cap.

Hon BRUCE DONALDSON: But not on the charges for connecting or the number of poles needed or the transformer. I know that the price of transformers vary depending on whether it is 10 kVA, 20 kVA or 5 kVA. There is an inconsistency when some people require four poles or two poles and sometimes the two poles are more expensive than the four poles. There are different pricing mechanisms. When that is challenged, someone will change the price, which is not the correct way to do business.

As I said during the second reading debate, the proof of the pudding - the final outcome of this bill - will be in the eating over the next four or five years. If consumers do not benefit from this you-beaut competition policy, I do not believe anyone will bend over backwards to correct it. We will wait and see what happens; I hope I am wrong. I hope that Western Australian consumers will benefit from even lower prices. Let us face it, various state governments have sometimes been accused of overseeing a high-pricing energy regime in Western Australia. However, both the coalition government and this government have pegged price rises to, I think, only one small increase, and that occurred on only the residential side. Is that correct?

Hon Kim Chance: It is getting on for eight years since that happened.

Hon BRUCE DONALDSON: At least that. Successive governments have understood that we must continue to bring down the price of energy, especially for businesses given that they have in the past been hit for six with electricity prices, as we well remember. I do not oppose the bill; I am saying that I hope this legislation will have a far better outcome than the Water Corporation arrangements have provided.

HON PAUL LLEWELLYN (South West) [9.01 pm]: I thank members of this house for their patience with the way I have handled this bill on behalf of the Greens (WA). This is the first time I have had that responsibility. I am no longer on L-plates; I am now on P-plates. I am disappointed that I was not here for the debate on the Electricity Industry Bill because it is through that legislation that much of the groundwork for this process of disaggregation of Western Power and the restructuring of the electricity system began. If there had been cooperation during debate on the Electricity Industry Bill, we could have achieved much more for the development of a very responsible, stable long-term future energy policy for Western Australia. I repeat what I said at the beginning of this process: there is no power industry plan for Western Australia. A series of disparate pieces of legislation are aimed, through some market process, at achieving what must be achieved through policy. I have my reservations about the mechanism provided for by this Electricity Corporations Bill achieving a rational and responsible power industry in the absence of coherent long-term government policy and planning for the power industry. I acknowledge that we have had a lot of discussion about quality and reliability of supply. However, alongside the quality and reliability of supply, we need a commitment to ensure system stability. I hope that the Greens' contributions to this debate have opened members' minds, not to mention their hearts, to the possibility of creating a more responsible yet commercially sound power industry in Western Australia.

Some of the debate on the design of the power industry should not have occurred during the Electricity Corporations Bill. That debate was necessary primarily because, in effect, no responsible power industry plan has been drafted for the state. I wish the government and the Ministers for Energy and Planning and Infrastructure, who must implement this bill, all the very best in the creation and design of the system. I call on the ministers and the government to put on the table a coherent and responsible power industry plan that guarantees quality and reliability of supply; a responsible balance between competition and cooperation in the

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development and emergence of this new industry; a commitment to both the technical outcomes and the design of the power industry in Western Australia; and economic responsibility in the development of a new industry, which is what we are talking about. I hope that within the process of establishing a new industry act and a new corporations act, we can achieve responsible economic development; that is, that we drag coal-fired power generation, and to some extent the gas-fired power industry, out of the steam age, clean it up and bring it into the twenty-first and twenty-second centuries and create a viable new industry based on clean, safe technologies.

This bill is based entirely on competition, without reference to cooperation; yet, the stability of the system is highly dependent on both competition and cooperation. That underpins the development of electrical power systems anywhere in the world, whether in India, China, the advanced economy of west Germany, Spain or Africa. Reliance on integrated cooperation to achieve stability underpins the very nature of electrical supply systems in the modern world. When a clear balance between technical, economic and socially responsible outcomes is achieved, we will, by definition, also achieve environmentally responsible outcomes. As we know, the corporations that we are disaggregating through this bill have been the largest producers of greenhouse gas emissions in the state, and they have been using technologies that they could have superseded but chose not to. Why? It was not in their corporate interest. At Muja in Collie, Western Power is running power stations without adequate environmental stations. We are going to sell or transfer those assets. Those power stations are being run according to world's worst practice. Why? It was not in Western Power's best interests to run them otherwise. It is cheaper to run those sorts of operations lean and mean and to not be accountable. I say again that despite what we have heard about New Collie Coal and Bluewaters, the Collie power stations have been run according to the worst practice in the world. What will be the benchmarks for success if this process works? When I asked the gentlemen who drafted the bill - they drafted a fantastic bill - what the industry would look like in 15 years if the legislation achieved every one of their aspirations and goals, they did not know. I am not saying that they are wrong, because I think that is the problem that underpins the reform process. We did not set a rudder. We said that we would build a machine - I previously thought it was the *Titanic* - that would go somewhere but we did not know where. All we are saying is that we will leave it to market forces. Market forces, notwithstanding the important role that they play, do not necessarily deliver responsible, social or environmental outcomes for the people. There must be a balance between deregulation, which is what this bill does, disaggregation, which is what this bill does, and re-regulation to achieve responsible, social, environmental and economic outcomes. We will notice that in the world of deregulation - this modern trend of allowing laissez faire economics to drive the economy in whichever direction it chooses - we will end up with much fatter bills and much thicker statutes. We are actually re-regulating. I argue that, far from making the process simpler and leaner and meaner, the corporations bill and the industry act will result in a lot more regulation and new statutes. That is not necessarily a bad thing, but this is not deregulation; this is re-regulation. It is just background music, another tune. What happens now? There are regulations in place and new institutions to build. This is where we are going. The regulations for the industry act have largely been put in place. We now have a series of new regulations and we have to put in place institutional arrangements, an economic regulator and an independent market operator, which should have been an independent system operator. How did that happen? It happened because we relegated this to the free market, and that is a dangerous experiment. It is a dangerous experiment to relegate the entire thing to a market regulator instead of to a system regulator, and that is in the bill. I have concerns about that, but it is not a perfect world. I think we have moved forward as far as we can go.

As a new member of this house, I do not know how things work and to some extent that has worked to my advantage. I like that, and I hope it will last. As a new member of this house, if I have been somewhat unorthodox in my ways, members should get used to it. My intentions and those of the Greens (WA) were to move this house forward in its thinking about this issue, which is really close to the hearts of the Greens and the Western Australian people. I have said previously that people do not want lower tariffs; I do not believe they care about that. They want lower electricity bills. I again make the assertion that a measure of success of this legislation is that an optimal outcome can be achieved for consumers, the industry and the technical regulators. That means not necessarily lower prices and caps on prices, but mechanisms for increasing consumer efficiency and for shifting loads, which is a more responsible way of achieving stable electrical systems. In other words, the best possible outcome is to achieve cooperation and benefits for the generators, the networks, retailers and consumers. When we achieve that and we are technically efficient about it, a component of the electricity system in the future should be a very high level of renewable energy. The system should have a very high level of resources distributed to the regions of Western Australia. It should have a much better power distribution and transmission network, not only to service the punter in the bush, but also to design the electrical generation system in a way that will service the long-term benefit of the community and the environment. If everything goes well, in five years there will be 500 or 600 megawatts of wind power on the system. There will be not large gas-fired power stations that are base load, but small gas-fired turbines located wherever it is possible to fit them into the network so that they can load follow the wind power generation and provide backup for the

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intermittency of the wind. If the corporations bill and the electricity reform process has worked well, the \$2.3 billion that Hon Kim Chance regularly reminds us of will have been spent in a responsible way to augment the system to facilitate the modernisation of power generation in Western Australia. That is what the system will look like. I want members to picture it now. When they drive along the South Western Highway to Albany through Manjimup, they will see wind turbines on the Bunbury coastal plain. They will see more households and businesses with solar panels on their roofs producing power exactly where it is needed. They will see biomass generation facilities embedded in the regional grid. The air around Collie will be somewhat cleaner. The people of Collie, who have been displaced as a result of the choice that was made about gas versus coal, will be working in a renewable energy industry. Instead of digging up coal, they will be building the footings of the wind turbines. Instead of greasing the nipples on the steam-powered generators, they will be maintaining the wind turbine technology, which is the same rotating technology. People will be employed to improve the efficiency of households and businesses by auditing their energy consumption and installing smart meters so that - Hon Murray Criddle will like this - people can load shift away from the peaks, save themselves money and get a lower bill even if the price of electricity goes up.

I understand that the original objective of this electricity reform process was a reduction in the price of electricity. It was a fallacious, wrong-minded objective. We should have said that the objective was to reduce the cost to firms, businesses and households, regardless of the price. I am assured by the people who have drafted the bill that it will liberate a flurry of innovation, new investment and efficiency. If it is successful, the south west interconnected system will have more of the characteristics that I have described. The consumers, as a result of having those generation facilities and control system facilities located closer to where they live, will have a much more stable, higher quality and more reliable supply. That is the vision of the Greens (WA). We hope that we can bring the government of Western Australia along with us on this journey. I hope that the Greens have made a useful contribution to this debate. It so happens that it is one of my favourite subjects and areas, as I have said before. Another is coming up soon - water resources. I wish the government well, I wish the opposition well, and I wish every member of this house well in creating a new future for the electricity industry. I hope we have started on the right path tonight.

Question put and passed.

Bill read a third time, and returned to the Assembly with amendments.