

Chairman; Mr Colin Barnett; Mr Eric Ripper; Mr John Day; Mr Brendon Grylls; Mr Mick Murray; Mr John Bowler; Mr Tony McRae; Ms Jaye Radisich; Mr Matt Birney

Division 10: Office of Energy, \$15 224 000 -

Mr P.W. Andrews, Chairman.

Mr E.S. Ripper, Minister for Energy.

Ms A. Nolan, Coordinator of Energy.

Mr G. Gilbert, Director, Corporate Services.

Mr E.S. RIPPER: Mr Chairman, can you advise us how many more divisions we have and how much time we have left?

The CHAIRMAN: At this moment we are dealing with division 10. The only one I have listed after that, which will take us through to 8.00 pm, is division 67. We will obviously have a tea break between six and seven.

Mr C.J. BARNETT: I refer to the so-called “black Wednesday”, when massive power blackouts occurred. As a result - I am sure the minister sought some advice from the Office of Energy on this issue - the Cronin committee of review was set up. What was the total cost of that committee of review and what was the daily remuneration for the committee members?

Mr E.S. RIPPER: I will be in a position, I hope, to answer this question at a later stage. The Cronin committee was engaged by the board of Western Power, and Western Power has control of the information requested by the Leader of the Opposition. It was not an Office of Energy funding matter.

Mr C.J. BARNETT: Was the minister not consulted on the terms of reference and the membership of that committee?

Mr E.S. RIPPER: I was consulted on the membership and terms of reference of that committee. Western Power will be appearing before the committee at 8.00 pm, and we can deal with questions related to the Cronin committee at that stage. I am not trying to avoid the issue, but that is the appropriate time, because it was a Western Power committee.

Mr J.H.D. DAY: On that point, we have only half an hour for consideration of Western Power issues directly. As I understand it, that mainly deals with Western Power’s capital works budget, but perhaps it can be expanded out from that to some extent. My understanding is that the minister’s office, at least, was given notice of this question for question time a couple of weeks ago. We would have thought that it would be something he would have had with him.

The CHAIRMAN: In my capacity as Chairman, I must draw the attention of members to the budget. I want to work with the committee on that, so could the member refer me to a point, perhaps the mission statement, to which this question refers.

Mr C.J. BARNETT: I go to the first dot point on page 199, which refers to access to reliable and safe electricity supplies.

Mr E.S. RIPPER: The Cronin committee was engaged by the board of Western Power. At the time I was given notice of the question for question time, I was not able to obtain the information sought from Western Power. I would be surprised if Western Power did not have the information available, because I have advised it that this issue is likely to be the subject of a question. I do not personally have the information, but Western Power will be here at 8.00 pm and the member can ask the question.

Mr C.J. BARNETT: Can I request that supplementary information be supplied? I do not care whether it comes from the Office of Energy or Western Power, but it is an energy issue. I seek information on the total cost of the Cronin committee of review and the daily remuneration for each of the committee members.

Mr E.S. RIPPER: It is not appropriate that this be -

Mr C.J. BARNETT: You are the Minister for Energy, mate.

Mr E.S. RIPPER: I am very happy to provide this information, but if it is to be recorded as a request for supplementary information, it needs to be recorded in the Western Power section of the examination, because that way we can ensure that the right people read the *Hansard* and provide the information. We could do that as a mere formality. Either Western Power will be able to provide the information when its officials arrive at 8.00 pm, or it will be immediately recorded as a request for supplementary information.

Mr C.J. BARNETT: Further to that, the fact that Western Power is coming in is part of a new procedure of rotating through government trading enterprises, so that they can be accountable, which I think is good. However, this is an issue for the Minister for Energy in his portfolio, which is administered by the Office of Energy. I do not care where he gets the information from, but as a former Minister for Energy, I would answer

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questions about all sorts of factors under this item in the budget. This is the area of policy. I do not mind where the minister's information comes from, but it is more appropriate that he be asked to provide that information under this heading.

Mr E.S. RIPPER: Put simply, I do not have the information.

Mr C.J. BARNETT: Take it as supplementary.

Mr E.S. RIPPER: Western Power engaged the Cronin committee and -

Mr C.J. BARNETT: Find out; you are the minister.

Mr E.S. RIPPER: I expect to have the information when Western Power comes before the committee. I advised Western Power yesterday that this question was likely to be asked in the estimates committee. It is the sort of question a member of Parliament would be expected to ask.

Mr C.J. BARNETT: If the information is not supplied later, can I get an assurance from the minister that he will provide it as supplementary information?

Mr E.S. RIPPER: I can do so and, with the cooperation of the Chair, we should make sure that it is recorded in the Western Power section of the estimates, so that the right people read it. I will certainly be happy to provide the information.

The CHAIRMAN: I need to inform members at this point that, because of the disagreement over this, notwithstanding what the minister said, I need to advise that the member can put a question on notice, which may be placed on the notice paper.

Mr C.J. BARNETT: Is the Chairman ruling that we cannot ask a question like that in estimates?

[5.20 pm]

Mr E.S. RIPPER: Let us cut to the chase, Mr Chairman. I am happy to provide the information either as an answer to the first question asked as soon as Western Power arrives or as supplementary information. As an administrative procedure, I suggest that the information get its number and formal recognition at eight o'clock rather than now. Otherwise, when Western Power officers examine *Hansard* to see the questions they need to answer, they will not find it.

The CHAIRMAN: That is exactly the reason I made my earlier statement, Leader of the Opposition. It is part of the process.

Mr J.H.D. DAY: The minister could get one of his staff members to ring Western Power and have the answer faxed up here before six o'clock.

Mr C.J. BARNETT: It could be dealt with that way; it is called modern technology.

The CHAIRMAN: It can be pursued after eight o'clock. Those avenues are open to the member. I have done my job in informing members of that position.

Mr B.J. GRYLLS: Dot point two on page 200 of the *Budget Statements* refers to competition between coal, gas and renewable energy. Dot point seven of major initiatives on page 205 states that the Office of Energy will -

Continue to provide policy input on a range of ... issues, including Stage Two of the power procurement process.

Can the minister please provide an update on stage 2 of the power procurement process and indicate whether coal is being considered for the new base-load power station?

Mr M.P. MURRAY: It would want to be!

Mr E.S. RIPPER: I did not expect that the member for Merredin would have a particular interest in coal. I have been bracing myself for a question from the member for Collie, who asks that question in a more assertive way.

Mr J.H.D. DAY: Does the minister mean that he was beaten up in the caucus room?

Mr E.S. RIPPER: He did not beat me up, but I have had a couple of narrow escapes! Of course coal is being considered for the base-load power station. One would expect coal to have a good chance of winning the power procurement process, which has been designed to take account of the different characteristics of different fuel sources. If power procurement is sought with too short a capacity or too short a lead time, coal is frozen out. We have gone for procurement with a capacity size and lead time to give coal a fair chance to compete. That has been done deliberately. We want coal-gas competition and coal-coal competition. The process has reached the following stage: on 27 April, Western Power issued the request for proposals documentation to the parties that qualified to participate in the request for tender phase of stage 2 of the power procurement process. Proponents

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will lodge their non-binding proposals with Western Power by 6 August. There is more to the process, but that is the current situation.

Mr B.J. GRYLLS: When does the minister suggest we will have an answer on that?

Mr E.S. RIPPER: Western Power will short-list a preferred bidder or bidders by the end of September 2004, but it will be into 2005 before arrangements are finalised.

Mr C.J. BARNETT: Some time after the election, I suggest!

Mr B.J. GRYLLS: That is right.

Mr J.H.D. DAY: I ask two questions relating to the financial allocations. Page 199 outlines that the estimated actual expenditure for 2003-04 is about \$10 million more than the amount indicated in the budget when presented last year. Page 200 refers to an allocation of \$3.7 million additional expenditure for the electricity reform implementation unit in 2005-06. Can the committee have an explanation of the two increases?

Mr E.S. RIPPER: The Office of Energy is the key agency in the implementation of electricity reform. An electricity reform implementation unit operates within the Office of Energy. The entire reform program is overseen by the Electricity Reform Unit Steering Committee, which includes representatives from the Office of Energy, the implementation unit, the Department of Treasury and Finance, and Western Power. The increase in the budget in 2003-04, as seen when comparing the estimated actual with the budget estimate, relates to electricity reform. The cost of electricity reform was determined following the bringing down of the 2003-04 budget. That is why the estimated actual is higher than the budget estimate last year.

Mr J.H.D. DAY: Can we have a breakdown of how the extra \$10 million has been spent?

Mr E.S. RIPPER: The estimated actual was prepared at a time when the Government's assumption was that the split-up of Western Power would occur from 1 July. The components of the estimated actual in addition to the estimate are allocated as follows: disaggregation of Western Power, \$4.83 million; access arrangements, \$577 000; licensing and customer codes, \$860 000; and wholesale electricity market, \$3.6 million. This gives a total of \$9.87 million. As a result of the sabotage by the upper House and the Liberal Opposition of the Government's key economic reform, the amount allocated for some of these areas will not be fully expended. The Government remains committed to the full electricity reform program, including a split-up of Western Power. It will proceed with that program when the numbers are available in Parliament. The Government's assumption is that that will be the case some time in the first half of 2005 following the election and the return of the Labor Government. In the meantime, the Government does not expect to spend the full \$4.8 million for disaggregation, or the full amount \$3.6 million allocated to the wholesale electricity market, by 30 June as a result of the effective delay of the electricity reform program imposed by the Liberal Party in the upper House.

Mr J.H.D. DAY: The minister made a statement in March or April at the latest that the Government would not go ahead with the legislation. When were these accounts put together?

Mr E.S. RIPPER: The confluence of events meant that the accounts could not be fully adjusted to take into account the unfolding of events. This is a fast-moving scenario. As I recall, the Liberal Party was onto its third or fourth position - its third position that different Liberal members were expressing - when the Government had to consider the future of electricity reform.

Mr J.H.D. DAY: Our position was always clearly not to support the break-up of Western Power.

Mr E.S. RIPPER: If the Liberal Party had reached a consistent position either all at once or at the same time, the Government might have been in a better position to make a judgment on the budget. The member for Darling Range's official position at one stage was to support regional power creation, and to support the separation of networks with Western Power. That was the Liberal Party's official position. Unofficially, a group of troglodytes, most of whom are retiring, wanted no change at all. Given their ages, I guess it was a natural position to adopt. Another group, the young turks, fully supported the Government's package. In addition there was the member and the Leader of the Opposition, as the diminishing centre of the Liberal Party, who supported networks and regional power, but not retail. Unfortunately, the diminishing centre caved in to the ageing troglodytes and the party adopted the position of no change at all. Consequently, the Government could not be sure of the numbers for the passage of its legislation.

[5.30 pm]

The CHAIRMAN: That was a marvellous discussion of policy. We shall now return to the budget.

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Mr J.J.M. BOWLER: I refer to the fourth dot point at page 199. There is an allocation of \$220 000 this year to remote Aboriginal communities. Given the demise of the Aboriginal and Torres Strait Islander Commission and that there is nothing at this stage to take its place, I fear there may be a need for more funds in the next few years.

Mr E.S. RIPPER: It is a good question.

Mr J.H.D. DAY: Did you write it?

Mr E.S. RIPPER: No, I did not. It is a really good question! I think it is a matter of some shame to Western Australia as a State that we have a number of Aboriginal towns that do not have access to the same quality, reliability, safety and price of electricity as do other parts of Western Australia. In saying that I am well aware that we need to improve the reliability, quality and safety of electricity supply in many other parts of regional Western Australia. There is a group of towns in which, quite frankly, the electricity supply is disgraceful. It is unreliable, dangerous and costly. The people who receive that supply do not get access to pensioner concessions, dependent child concessions or seniors airconditioning concessions. They do not get access to the uniform tariff either. How did we reach the position in which white towns receive the uniform tariff and concessions and black towns do not? An outside observer looking at Western Australia would say that is the situation we have got ourselves to. The Government wants to do something about this. We have had an agreement with the Aboriginal and Torres Strait Islander Commission and the Aboriginal and Torres Strait Islander Services for joint funding of the Aboriginal and remote communities power supply project. The aim of the project is to replace the ageing power stations with modern, efficient, quiet and environmentally friendly generation plant. Another aim of the project is to give Aboriginal communities access to the uniform tariff and all the other concessions that customers of Western Power receive. It is also proposed to upgrade the distribution systems in the communities so that the power supply is safer and more reliable. Agreement has been reached with ATSIC for the State and Commonwealth Governments to fund the capital and ongoing costs of the project on a 50-50 basis. It is because the Commonwealth already has a role in supplying electricity and funding fuel for the current power supplies. However, we have reached a difficulty. The finalisation of the agreement with the Commonwealth Government has been delayed a number of times partly because of changes brought about by the separation of powers between ATSIC and ATSIS. With the abolition of ATSIC and the devolution of Aboriginal programs to mainstream agencies, we have further problems. We have gone through a competitive tender process to get proponents for the establishment of generation in these communities. We have reached the stage at which we need to give an answer to the people who have bid in the process about whether they will get the contracts. However, we do not have a finalised agreement with the Commonwealth. It has been delayed because of divisions between ATSIC and ATSIS and further delayed by the abolition of ATSIC. It is further compromised by an emerging commonwealth demand that the Commonwealth's commitment be capped and time limited. In other words, the Commonwealth wants to fund an electricity system in which it will not accept any increase in demand. It wants to fund it for four to five years, not the 10 to 15 years of the contract. It is a completely unrealistic approach. The Commonwealth is backtracking on its previous responsibilities to provide part funding for the electricity supplies. It is backtracking on the agreement, which it discussed with the previous Government and this Government. The Commonwealth is putting the project at risk. I am very concerned that the Commonwealth will back out of this commitment and a major social justice initiative will be compromised. I cannot understand how a Commonwealth Government that talks about so-called practical reconciliation and focusing on the basic needs of communities could compromise a program that will deliver an essential service - electricity - in a safe, reliable and fair manner at a fair price with fair access to concessions. That is what is happening. I have written to the federal Minister for Immigration and Multicultural and Indigenous Affairs expressing my concerns. If the Commonwealth does not give us an answer soon, it will compromise the tender process that has been entered into. If it does not give us an answer soon, we will not be able to complete the work on the networks before the wet season arrives. That will mean a further delay of a year. The whole program is hanging in the balance.

Mr J.J.M. BOWLER: Further to that, there is deep concern in the goldfields that in the coming weeks, not months, if there is a major blackout in a community - many are on the central lands in my electorate - we could see chaos to the point that a whole community may up sticks and move to somewhere like Kalgoorlie-Boulder because the town has basic services. Without ATSIC and ATSIS to respond in a crisis, what will happen? This is just further cost shifting from the federal Government to the State Government.

Mr B.J. GRYLLES: Providing electricity is a state responsibility.

The CHAIRMAN: Order! It is highly disorderly in committee to speak across the floor when the minister is trying to respond.

Mr E.S. RIPPER: The first phase concerns five permanent Aboriginal communities in the Kimberley: Warmun, Bidyadanga, Ardyaloon, Beagle Bay and Lombadina-Djarindjin. In the second phase, which is funded in this

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budget, it is proposed to extend the project to 11 other remote Aboriginal communities: Noonkanbah, Burringurrah, Kalumburu, Oombulgurri, Balgo, Mindibungu, Mugarinya, Warburton, Warakurna, Jigalong and Papulankutja. The goldfields communities are likely to be serviced during later stages of the project. I believe the member is referring to people's fears about what the abolition of ATSIC really means and whether the mainstream commonwealth government agencies will assume all the responsibilities that ATSIC assumed and, if they do not, whether there will be a major impact on the State through the State having to pick up services or people moving to places where there are services. I must say that the State is very concerned about the implications of the abolition of ATSIC because of the amount of money that is spent through ATSIC in providing services to Aboriginal communities. We are very worried that this might be a cover for shifting commonwealth funding responsibilities to the State. The fact that I had some difficulty pronouncing some of those names is an indication of how ignored these communities are. They should be household names. The fact that those communities do not have electricity should be a much bigger issue than it is in the public consciousness. If the State had a number of small farming communities without access to power, we would certainly hear about it.

Mr B.J. GRYLLS: The forward estimates show an amount of approximately \$2 million for that project. Given the fact that, as outlined by the minister, it may be delayed by the Commonwealth, will the Government spend that money anyway, given the seriousness of the issue?

[5.40 pm]

Mr E.S. RIPPER: We have a project. We have been proceeding on the basis of what we thought was an agreement with the Commonwealth. It will be extremely disappointing if the Commonwealth backs out. The State will then have to reassess its position. The state commitment, if not supported by the Commonwealth, obviously will not support the provision of electricity to 16 communities, because we were proposing to put up only half the money required.

Mr M.P. MURRAY: I refer to the development and implementation of energy policy on page 203. Is there any policy on the role of Western Power's senior management in private companies that service Western Power?

Mr E.S. RIPPER: This is not really a matter that my advisers from the Office of Energy can assist me with. If some managers in Western Power are involved with private companies that supply Western Power - if that is the implication of the member's question - that is potentially quite a serious matter. It potentially raises conflicts of interest and possible impropriety. I am not aware of particular cases, but I am taking that as the implication of the member's question.

Mr M.P. MURRAY: I am being cautious about the implications of all this. I do not want to cast aspersions on people. However, there are concerns within my community that there may be some crossovers, with people having one foot on either side of the fence, that might not be in the best interests of the public.

Mr E.S. RIPPER: The member might like to raise this matter with me in a less public context. Prima facie, all other things being equal, I would not expect a senior manager in Western Power to have a private involvement with a company that is also a supplier to Western Power, or, indeed, a competitor of Western Power. All other things being equal, that would not be consistent with that person properly representing the interests of Western Power and its owners, the taxpayers of Western Australia. If there is concern in the member's community, he should provide me with those details, and I will ensure that that matter is properly and fully investigated.

Mr J.H.D. DAY: I refer to the major power supply problems that occurred on 18 February this year - black Wednesday, as it is known. Is there an expectation that there might be similar problems when there is a peak load requirement in the winter months of this year? Secondly, what action has the minister taken to ensure that similar problems do not occur again?

Mr E.S. RIPPER: In the electricity supply industry as it is currently constituted, this is primarily a matter for Western Power, as Western Power is still the dominant generator and retailer of electricity. With the Government's support and encouragement, Western Power's board commissioned the Cronin review of the events of 18 February. Western Power's board and the Government have accepted the findings and recommendations of the Cronin review. One of the recommendations of the Cronin review is that Western Power be required to present to the Minister for Energy a plan before winter and a plan before summer for how Western Power will ensure security of supply and meet the peak demands expected in those seasons.

Mr J.H.D. DAY: Has that been done for this winter?

Mr E.S. RIPPER: The Cronin report came down hard on the commencement of winter. I have not yet received a winter plan from Western Power. However, the advice currently available to me indicates that the major risk is with summer peaks rather than winter peaks. Western Power has provided me with information on the measures

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it is putting in place to meet the summer peak expected in 2004-05. Further work is being done by Western Power on how it will meet those expected demands. In due course I will expect the Cronin recommendation for a plan to be presented to me to be implemented. I will expect a formal plan, and I will expect to be able to discuss that plan with my colleagues.

Mr J.H.D. DAY: Further to that, what action is being taken to deal with the problem of fuel supplies and generation capacity for next summer?

Mr E.S. RIPPER: We are in a peculiar situation, because Western Power representatives will be present at eight o'clock to respond to questions about Western Power's programs. It would really be best to ask me these matters when I have Western Power advisers available. However, I can give the member some information, and we can perhaps clarify it further when the Western Power advisers are present. There will be about 50 megawatts more coal-generating capacity as a result of the installation of new turbine blades on a couple of the units at Muja. There is the probability of additional power being purchased from independent power producers. Arrangements are currently being developed for a much stronger focus on demand management; in other words, provisions for interruptible contracts with major commercial and industrial customers. The non-gas generating capacity of units at Kwinana will be enhanced through restoring liquid burning capacity at a number of the units at Kwinana.

Mr J.H.D. DAY: What fuel will that be?

Mr E.S. RIPPER: That will be distillate.

Mr J.H.D. DAY: Or fuel oil?

Mr E.S. RIPPER: I think Western Power would need to respond to that. Western Power has been discussing the options for the liquid fuel it would use. The position is that certain of the units at Kwinana actually generate less electricity on coal than they do on gas. Therefore, if there is a gas shortage, there is less generating capacity. Giving them a liquid fuel capacity restores their generating capacity to the same level that they would have if they were using gas. In effect, there is more coal-burning generation capacity, more demand management, more purchases from independent power producers and more liquid capacity at Kwinana, which gives more non-gas generating capacity in the event that there is a shortage of gas supply, which, as we have discovered, is the major risk confronting us in a summer peak demand situation.

Mr J.H.D. DAY: I have one final question. This will probably need to be provided by way of supplementary information. How much liquid fuel, and precisely what liquid fuel, will be required for this capacity at Kwinana, and what will be the value of it? Supplementary information is fine.

[5.50 pm]

Mr E.S. RIPPER: Members persist in asking questions about Western Power when representatives from the Western Australian Office of Energy are present. Representatives from Western Power will be available at eight o'clock. Members can ask those questions then.

Mr J.H.D. DAY: For a meagre 30 minutes.

The CHAIRMAN: I am sure that the member's question can be put on notice and that the minister will address it at eight o'clock.

Mr B.J. GRYLLS: I refer to the last dot point on page 199 of the *Budget Statements* regarding the ageing electricity distribution network. Under major initiatives it is stated that the Western Australian Office of Energy will develop a multifaceted policy approach for improving the reliability of power supply in country regions of the south west interconnected system and prepare an implementation plan. Has the Office of Energy been allocated funds for that work to take place?

Mr E.S. RIPPER: The special program that is targeted at social but perhaps non-commercial needs in the regions receives funding of \$6 million from Western Power's capital works program and \$6 million from the consolidated fund. The total funding is \$12 million a year. The proposal is to have a process that includes people outside of Western Power making the decisions. The Office of Energy will be involved in supervising the implementation of this process. The Office of Energy's commitment to that supervision will be provided from its existing resources. The Office of Energy assists the Government on energy policy matters. This is the type of matter that is part of its core business. The arrangements for the administration of that \$12 million program are being developed. I expect to announce the details of how that program will work in practice fairly soon. I hope that the member for Merredin and his colleagues will be pleased with what can be done through that program.

Mr B.J. GRYLLS: We look forward to it.

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Mr J.H.D. DAY: I refer to the fires, which in one case at least were particularly tragic, that occurred last summer at Tenterden, Bridgetown and Gingin. The fire at Gingin caused quite a bit of property damage. What claims for compensation have been made as a result of those fires? What is the status of the compensation claims?

The CHAIRMAN: Could the member refer to a page number in the *Budget Statements*?

Mr J.H.D. DAY: I refer to page 199 of the *Budget Statements* and the requirement on the Government to provide reliable and safe electricity supplies.

Mr E.S. RIPPER: No claims have been made to the Office of Energy. I imagine claims have been made to Western Power. Western Power will be represented here at eight o'clock.

Mr J.H.D. DAY: As an observation, I am surprised that some of this information is not available to the minister. The Office of Energy is a fairly significant policy advisory body as well as a monitoring body to some extent. Given that a much greater amount of time has been made available for the Office of Energy than has been made available for Western Power, I am surprised that information is not available.

The CHAIRMAN: At this point the question can be placed on notice and the answer received later. I am sure that the minister will want to say something.

Mr E.S. RIPPER: Earlier today when members from the Office of Native Title sat next to me, members did not ask me about Treasury matters; they waited until Treasury advisers were here. When the Treasury advisers were here, I was not asked questions about energy. I am not being asked questions about an agency that is represented at the moment. Officers from Western Power will be present later, and at that stage I will be happy to answer questions related to it. I have been asked three questions so far about Western Power. They related to the Cronin review costs, the summer power supply and security responses, and compensation claims regarding the Tenterden fire. If the member likes, I will write down those issues and make sure that when Western Power is represented, they are the first questions that are dealt with.

Mr B.J. GRYLLES: I refer to the first dot point on page 200 of the *Budget Statements*, which refers to the community demand for the provision of environmentally sustainable energy. Members have discussed the Narrogin oil mallee plant many times. I refer to the budget of the Western Australian Office of Energy in which the minister spoke about the actual expenditure being less than what has been budgeted for due to the changes in the disaggregation process. Is there a possibility that the Office of Energy could provide extra cash for the Narrogin oil mallee plant project?

Mr E.S. RIPPER: Within the Office of Energy is the Sustainable Energy Development Office. The SEDO grants committee provides grants for alternative energy projects. SEDO has made a small grant of \$47 000 to the project. We will have a much clearer picture on this project within a few short weeks. There is an outstanding application for funding from the Natural Heritage Trust, and we will know the outcome of that application in a couple of weeks. If the application is granted, the project will go ahead. I have given the member for Wagin an undertaking that if the application is not granted, I will discuss with my state colleagues whether there is any possibility that one of their budgets could support the project. The reason I am not saying that Western Power will provide more money for the project is that Western Power's core business is the supply of electricity. The Narrogin oil mallee plant is an experimental plant that will produce electricity, activated carbon, charcoal, and eucalyptus oil. The project also will encourage the planting of oil mallee trees in the wheatbelt, thus dealing with salinity. The reason the plant has such strong support is not that it produces electricity, but that it is seen as a potential answer to salinity difficulties. Western Power has made a contribution to the community over and above what would usually be expected of an electricity-producing organisation by the commitment it has already made to an experimental plant that has electricity as only one of its products. The board of Western Power has decided that for a plant that processes a lot of things other than electricity -

Mr B.J. GRYLLES: I was asking the question of the Office of Energy. I did not want to make the previous mistake and ask a question about Western Power. I asked about the Office of Energy and the extra money that seems likely to be in its budget, given that the reform of Western Power has not been implemented as the minister had hoped. That money could flow on to SEDO and provide extra funding, should it be necessary.

Mr E.S. RIPPER: I expect electricity reform to occur, so I expect that money to be spent on electricity reform. However, the members for Merredin and Wagin and the Narrogin community know that I like the idea of the Narrogin integrated wood-processing project. I want there to be a commercial incentive to plant trees in the wheatbelt. The salinity problem will not be dealt with effectively unless the Government can use the profit motive to encourage the planting of trees. Anything that helps produce a profit motive for the planting of trees in the wheatbelt will make a significant contribution to dealing with salinity. Therefore, I would very much like the

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IWP plant at Narrogin to succeed. However, I am also required to be financially responsible. There is a long history of Governments throwing good money after bad for experimental projects that do not work in the end. The Government must be careful about what funds it commits to this project, and the Government is doing that. I will honour my undertaking to talk to my colleagues about whether any other source of funding, apart from funding from Western Power or the Office of Energy, can go into this project if the Commonwealth fails to deliver. I am advised that the Commonwealth sees the merit of supporting this project and it has already contributed some money to it. Therefore, I hope it will contribute more money on this occasion.

The CHAIRMAN: I do not ask questions from the Chair, but I share the minister's enthusiasm for that project. It has great potential.

Mr J.H.D. DAY: I refer to the first dot point on page 200 of the *Budget Statements*, which relates to sustainable energy. My recollection is that during the recent debate about the electricity legislation, the Government was close to an agreement to implement a 10 per cent mandatory requirement for the production of renewable energy in this State. Is that the case? How will that be achieved?

Mr E.S. RIPPER: The Government discussed this matter with the Greens (WA). The Government was seeking support from the Greens for the total electricity reform package in the light of the refusal of the Liberal Opposition to support this much-needed economic reform. The Government put to the Greens the possibility that the reform package could be altered to provide for a 10 per cent renewable energy target. The renewable energy target would have been implemented through licence conditions on electricity retailers. The issue of renewable energy targets is a matter of some sensitivity. Unfortunately, renewable energy costs more to produce than does fossil fuel energy. I am sure the Greens would argue that is because the external costs of fossil fuel energy are not properly taken account of. Nevertheless, renewable energy increases the price of electricity in the way in which arrangements are currently implemented. I was of the view that the downward pressure on prices -

The CHAIRMAN: The minister is giving such a great answer that I would like to give it some thought over dinner.

Sitting suspended from 6.00 to 7.00 pm

The CHAIRMAN: I believe the minister had either just finished or was about to finish his answer.

Mr J.H.D. DAY: I will refresh the minister's memory. I was asking how the minister will achieve the 10 per cent mandatory requirement for the production of renewable energy given that there was almost an agreement to do so.

Mr E.S. RIPPER: I thank the member for Darling Range for refreshing my memory on the question. I was explaining that renewable energy increases the cost of electricity. Electricity reform will, if fully implemented, reduce the cost of electricity. Therefore, if we get the full package of electricity reform, we will have enhanced capacity to slip more renewable energy into the system, because we can do that without overly burdening electricity customers who are enjoying the benefits of the downward pressure on prices from competition. Hence, I thought it possible to add a 10 per cent renewable energy licensing condition to the electricity reform package if the Parliament, in particular the Greens, was prepared to support the full electricity reform package. The 10 per cent was available only if the Greens were prepared to support the entire package, because if the entire package was not supported, then the pricing envelope that would allow additional renewable energy would not be created. I must say that it was in the nature of a provisional offer. It was always the Government's intention to go back to the other people involved in the electricity reform debate and put to them the possibility of a modified package receiving parliamentary support and consult with them on their view. In the end, it was not necessary to do that, because, remarkably, the Greens rejected the possibility of a once-in-a-generation stepped increase in renewable energy penetration into the Western Australian electricity system and knocked back the package.

Mr J.H.D. DAY: You mean the Greens had the same degree of foresight as the Liberal Party!

Mr E.S. RIPPER: The same ignorance, really.

Mr J.H.D. DAY: With regard to the plan to further develop the electricity market, as an aside I place on record that the Liberal Party has supported the Electricity Industry Bill, which allows for further development of the market in this State, and I think the Minister for Energy probably should not overlook that in both his personal thoughts and in what he says publicly. Given that that is the case, there is an opportunity to further develop the market. However, there is an important question about what form the market will take and how complicated and costly it will be. I have previously asked questions in this Chamber about what stage the development of the market rules is at. I would like some more information about that matter, and some more information about how the minister expects the market to be established, how complicated it will be, and how it will operate.

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The CHAIRMAN: I assume the question relates to page 199, the first dot point under significant issues and trends.

Mr J.H.D. DAY: Indeed.

Mr E.S. RIPPER: It is the Government's intention to proceed with the establishment of a wholesale electricity market to operate from 1 July 2006. The full benefits of the market are dependent upon the split-up of Western Power. With Western Power remaining as a vertically integrated utility, it is not possible to extract the full benefits from the investments that are required to be made in the market. The Government is considering implementing the electricity market in a modified and less costly form, acting on the basis that if the benefits are to be reduced, perhaps we should also reduce the investment so that we do not have an inappropriate trade-off between investment and returns. That is a matter that the Government is still working on, and it will be the subject of consultation with our industry partners.

I think what the Parliament may not realise is the elaborate consultation that is occurring on the implementation of the electricity reform. This is not just the Government and a few public servants; this involves senior representatives from the leading energy companies in the State. All of the leading companies in the State are involved in this reform process. Therefore, when the Parliament refuses to support the reform package, it is throwing a giant spanner into the progress of the Government's implementation of its policy, and also into the middle of a process that involves most of the significant energy companies in the State. The Government is not embarking on some mickey mouse process here. This is a substantial, systematic, professional and well-resourced consultative process, using the best expertise available in the public and private sectors. Frankly, it should be respected for the quality of the expertise that has been deployed.

Mr J.H.D. DAY: Can the minister tell us more about the market that he is proposing to establish? That was the question.

Mr E.S. RIPPER: I do not want to go into any more details about the nature of the market until we finish discussions with the industry about its views and how it envisages it will work.

Mr J.H.D. DAY: When does the minister expect that to occur?

Mr E.S. RIPPER: I will ask the Coordinator of Energy to answer that question.

Ms NOLAN: We are currently discussing the range of alternative wholesale electricity market options with industry and across government, and we are talking to consultants to work out what some of the costs of these alternative market models are. We are hoping to build on the work that has already been done, particularly on market rules development, on which we have come a long way, and to look at it from perhaps a modular or stepping-stone approach, increasing the complexity of the market over time as more and more players enter the market. In terms of timing, probably by the end of June we will be in a position to make some serious announcements about how we anticipate going, following the provision of advice to the minister, of course.

[7.10 pm]

Mr E.S. RIPPER: I add that the Government expects ultimately to have its full electricity reform package implemented. We expect to get the numbers in the Parliament.

Mr J.H.D. DAY: Are you going to campaign on that during the next election?

Mr E.S. RIPPER: The member will find in *Hansard* in many places that I have stated the same position. We remain committed to electricity reform and we intend to proceed with electricity reform in full, including the split-up of Western Power, as soon as we can get the numbers in the Parliament. Our current judgment is that the numbers in the Parliament will not be available until the Liberal Opposition has been soundly defeated at the next election - which we expect will occur - and the Leader of the Opposition is then retired, which would be the usual course of action for a losing Leader of the Opposition. With a new broom in the Liberal Party - perhaps with the member for Kalgoorlie at the helm - we will then have -

Mr A.D. McRAE: A supporter of the reform process.

Mr E.S. RIPPER: A supporter of electricity reform. We would then be in a position with numbers in the Parliament to proceed.

Mr J.H.D. DAY: A lot of people would conclude that all sounds like a fairly arrogant approach.

Mr E.S. RIPPER: It is not an arrogant approach; it is a reasonable assessment of the risks and opportunities that face us in the future.

If we proceed with an electricity market in a more limited form, the object of the exercise would be to set it up in such a way that we could fully develop it, were we to get support for the split-up of Western Power. It appears

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to me that the most likely scenario is that the earliest we could achieve the split-up of Western Power would be 1 January 2006, if we achieve passage of the necessary legislation in the first half of 2005.

Ms J.A. RADISICH: I refer to the Sustainable Energy Development Office referred to on page 207 of the budget papers. I am curious to know what impact the Treasurer thinks SEDO has had in the broader community. I note reference has been made to an increase in the number of web site hits. Has that translated into a widespread awareness of SEDO, what it does, what it offers to consumers in the form of energy supplies and what strategies are in place to make sure that more people are made aware of and can access that information?

Mr E.S. RIPPER: I will ask the Coordinator of Energy to make some comment in a moment. SEDO has presided over some good programs, including the government's EnergySmart program, which aims to reduce energy usage in government agencies by 12 per cent over four years and which is backed by \$16 million in repayable advances for investment in energy-saving initiatives in government agencies. SEDO has also successfully administered the renewable power generation program, which provides, with commonwealth support, significant subsidies for renewable energy projects. SEDO also runs the grants committee, which has had a number of successful funding rounds for grants for alternative energy investigations or activities and community programs aimed at reducing greenhouse gas emissions.

Having said all of that, I do think SEDO could have a higher profile. I do think more work needs to be done to get the consciousness of energy efficiency and the advantages thereof out in the public mind. Quite frankly, a lot of money could be saved by members of the public and a lot of greenhouse gas emissions could be saved, if people would adopt a range of relatively simple measures to save energy. I foresee enormous potential for work to be done in this arena.

Ms NOLAN: It is fair to say that SEDO does see as an enormous challenge an increased acceleration in the take-up of sustainable energy options as well as energy-efficiency measures. SEDO has a range of programs in place to ensure that there is increased awareness of those measures. I will give a few examples of the take-up rates of some programs to give the member a bit of an insight. For example, there is a house energy rating software program that allows people, through accredited assessors, to understand the energy rating of a new house that is being built. As a consequence, 150 assessors have been trained in the past few months and 1 500 ratings have been completed to date. We expect, through the awareness raising in the community that just started in 2004, that it will be a very popular program and we have been very satisfied with its success. We have conducted a range of community energy efficiency seminars in the first half of 2004 and we are continuing to have seminars throughout the community. We had one in Joondalup recently which had a very large turnout; we were very impressed with the interest in it.

Mr E.S. RIPPER: Can we have one in Ellenbrook?

Ms J.A. RADISICH: And Mundaring, Chidlow, Bullsbrook, the Swan Valley and maybe Kalamunda - who knows?

The CHAIRMAN (Mr P.W. Andrews): Ms Nolan is continuing the answer.

Ms NOLAN: The EnergySmart hotline, which is another program that has proved very popular, has been operating now for three years and receives around 5 000 calls a year. That will give an indication of how increasingly aware the community is of this hotline. People frequently ring for advice and a range of brochures and support is available to them. We have revamped all our brochures in the past year and we are seeing a very strong take-up of them. Also we have a range of EnergySmart programs in government, as well as business EnergySmart programs to complement our community programs. We, therefore, believe we are getting somewhere and that we have made a great inroad into community awareness, and will continue to do so.

Mr E.S. RIPPER: I will make one further comment. SEDO publishes an electronic newsletter to which members of Parliament can subscribe. There are plenty of opportunities for members of Parliament to work with SEDO to promote awareness of energy efficiency and sustainable energy initiatives in the community.

Mr A.D. McRAE: I return to page 199, significant issues and trends. On the issues raised there and the issues raised by the member for Darling Range, I want to clarify through this estimates process that the reforms for disaggregation of Western Power and the establishment of contestable markets in generation and wholesale do not go, firstly, to any suggestion of contestability on transmission, and, secondly, that there is no provision whatsoever for the sale or privatisation of any current state assets.

Mr E.S. RIPPER: I am delighted to confirm with vigour that the Government does not intend to privatise Western Power or any of its power stations. On the other hand, there is no doubt that the Opposition plans to privatise all or part of Western Power. At the forthcoming election the community will have two plans for the future of Western Power.

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Mr M.J. BIRNEY: Why do you make things up?

Mr E.S. RIPPER: The government plan will see all of Western Power and its successor organisations remain in public ownership, albeit with the possibility of private sector competition to encourage -

Mr J.H.D. DAY: So you are going to involve the private sector. You are allowing the private sector in, are you? Shock, horror!

Mr E.S. RIPPER: - everyone to provide services at the most competitive rate and with the most focus on customer needs.

Mr A.D. McRAE: But on that point, that is the private sector adding capacity.

Mr E.S. RIPPER: That is the private sector adding capacity, more diversity of supply, more investment, more modern power stations and more security and reliability because of the public money that will be freed up for investment in the network. That is the government plan: modern power stations, diversity of supply, competition, better customer service, better customer focus and more investment in the network. The opposition plan is to flog it off and use the money to fund the Opposition's sky-high election promises that are out of control. The Opposition has no financial plan, other than privatisation.

Mr A.D. McRAE: What about the transmission aspect?

Mr E.S. RIPPER: The transmission is a natural monopoly and we would expect it to be in public ownership and subject to independent regulation, because it cannot be disciplined by competition. Some very small networks are run by other organisations; but in the south west it is all to be run by the publicly owned state network organisation.

Mr J.H.D. DAY: If we can return to a slightly more sensible discussion -

Mr E.S. RIPPER: What is the member for Darling Range's position on privatisation? Will he give a guarantee that there will be no privatisation?

[7.20 pm]

Mr J.H.D. DAY: We can return to a slightly more sensible discussion.

Mr E.S. RIPPER: What is the member for Darling Range's position on privatisation?

Mr J.H.D. DAY: We will not privatise Western Power; we have made that clear all along. The Labor Government is privatising electricity generation in this State anyway.

Mr E.S. RIPPER: Will the member for Darling Range guarantee that he will not sell Collie or any of the Muja units?

Mr J.H.D. DAY: We will not sell Western Power.

Mr E.S. RIPPER: What about the Collie power station?

Mr J.H.D. DAY: The minister is involving the private sector anyway.

Mr E.S. RIPPER: What about Cockburn 1? Can I ask a question?

The CHAIRMAN: The member for Darling Range will ask a question on a specific part of the budget.

Mr J.H.D. DAY: I refer to the dot point about sustainable energy. The minister said earlier that renewable energy generally costs more to produce. His stated aim is to reduce the cost of electricity on the one hand while on the other hand considering, as he did at least, having a higher target for the production of renewable energy. Is there not a conflict between those two aims and how will he resolve that?

Mr E.S. RIPPER: There are often potential conflicts between policy objectives in government. Modern government involves the necessity to trade off between potentially competing policy objectives in a variety of circumstances. In the Treasury portfolio, for example, every day I must trade off between the community's demand for additional services, which is an important objective, and its desire to have lower taxation burdens, which is also an important policy objective. Just as in Treasury, there are potentially competing objectives in energy. We need both; we need more renewable penetration on our electricity system and, overall, we need a more efficient electricity system that delivers better value to our customers. The fact that we need more renewable energy on the system makes the task of reducing costs to customers more challenging; nonetheless, we need to do both.

Mr J.H.D. DAY: It seems, to some extent, as though the Government is trying to be all things to all people.

Extract from *Hansard*
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Mr E.S. RIPPER: The member should recognise that modern government is often about trying as much as possible to reconcile objectives that have some element of conflict.

Mr J.H.D. DAY: Of course. However, either we lower the costs or we do not. A higher cost of production will have an impact on the final cost.

Mr E.S. RIPPER: My objective is to lower the costs and have more renewable penetration.

The appropriation was recommended.