

**ELECTRICITY CORPORATIONS BILL 2005**

*Second Reading*

Resumed from 30 August.

**HON MURRAY CRIDDLE (Agricultural)** [5.08 pm]: I thank the Leader of the House for allowing me to debate this issue today. I realise that although the debate finished late very late last night, it was comprehensive.

**Hon Kim Chance:** How was Dowerin?

**Hon MURRAY CRIDDLE:** It was very good. My parliamentary duties took me to Dowerin, where I was able to meet with a number of dignitaries and discuss a lot of issues that are of great interest to country people, not the least of which is the Electricity Corporations Bill 2005. Many people in the country have concerns about the bill, most of which relate to the networks operation. Of course, that is an issue that the National Party has brought before this house and the other place, in which it also has representatives. I want to highlight some of those concerns.

**Hon Kim Chance:** I think the National Party has had a very considerable influence in this debate.

**Hon MURRAY CRIDDLE:** In January 2003 - if my memory serves me correctly - I organised a meeting in Koorda. After that meeting, the government put in place many mechanisms and provided funding to overcome some of the difficulties. However, as the minister would know, the network in that region is ageing and needs further attention. We have something like 750 000 poles over 6 750 kilometres. I remember well the process we had to go through to get power. It was based on a contributor scheme. That scheme is a good scheme and it should remain in place, because the headworks charges are quite horrific. That scheme led to the network going far and wide, including to the edge of the agricultural region, which is where I live. We appreciated, first of all, the 12-volt system and then the 32-volt system and the 240-volt system. There is nothing like being able to turn on a switch without having to fuel up an engine.

**Hon Kim Chance:** What year did the scheme commence?

**Hon MURRAY CRIDDLE:** It was about 35 years ago. Our contributory scheme was over 30 years. Our place was connected about 35 years ago. It has not been that long on the coast.

**Hon Bruce Donaldson:** Have you had your capital contribution refunded yet?

**Hon MURRAY CRIDDLE:** Even though we put the line through, some of the contribution was paid by others when they joined the line. We have been rewarded more than enough with the power being connected.

**Hon Bruce Donaldson:** Our payments are still going.

**Hon MURRAY CRIDDLE:** We have completed ours. It has been a good arrangement. I digress. It is very important to understand people's concerns as it became clear to me when I visited Dowerin yesterday. The National Party has included three amendments on the notice paper that reflect our concerns. Members will be well aware that the National Party voted against the third reading stage of the bill in the other house because our amendments were not accepted. I will be happy for the bill to go to committee in this place. I will be very interested to see how it is handled and whether the National Party's amendments are agreed to. I notice that Hon Paul Llewellyn and Hon George Cash have listed a number of other amendments, one of which goes right to the heart of the issue of regional areas getting their share of funding. I will be very interested to see whether the Nationals' amendments are agreed to or whether their intent is accommodated through other amendments.

The bill will establish three corporations in place of Western Power Corporation, each with particular responsibilities for the provision of electricity in the south west of the state. The Regional Power Corporation will focus on service delivery outside the south west interconnected system. The bill will also provide for the passing of assets and liabilities from Western Power Corporation to the new corporations or the state, and other transitional matters. It will amend and rename the Electricity Corporation Act 1994. The bill provides the mechanics for carrying out that transaction. From that point of view, it is pretty straightforward.

The National Party has received a lot of cooperation from the Office of Energy and Western Power staff. Communications have been very good. My leader, Brendon Grylls, has received a letter from the Office of Energy in response to many questions. I will touch on some of them. Hon George Cash gave a very comprehensive speech during the second reading debate about the implications of this legislation. Some of his explanation touched on remarks I intended to make, so I have no intention of repeating them. This bill has been around for a while and we must get on with the job. Much of the nitty-gritty in the clauses can be teased out in committee.

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It is interesting to note how this bill has progressed. I will touch on the issues brought to the fore at a meeting attended by 250 people in very hot conditions at Koorda in January 2003. Given the heat, I did not expect anywhere near that number of people to attend. The Economic Regulation Authority attended as did people from Western Power to answer our questions. The minister did not attend. To some extent, his absence was reflected in a response he made in Parliament that he did not consider there was an issue. However, to his credit, he later committed, I think, \$2.23 billion over a number of years, which reflects his understanding that the money is indeed needed to be spent in these areas. The Treasurer, when he was also the Minister for Energy said in his 2004 budget speech -

A major focus for investment will be the electricity system, because Western Australians are entitled to a safe, reliable and good quality electricity supply.

Western Power's capital works budget will increase \$82 million - or 24 per cent - to a total of \$419 million next financial year, or \$1.5 billion over four years.

Later, an additional \$488 million was included, which brings the funding up to the amount I just identified.

In his second reading speech of 5 May this year, the Minister for Energy stated -

One key aim of the restructure reforms is to provide opportunity for private sector investment in generation plant in the SWIS. This will free up government capital funding for upgrading the network to address reliability problems.

That is the point the Nationals want absolutely guaranteed. It is all very well to say it will be done, but we want a solid assurance and that is why our amendments are on the notice paper. Those amendments reflect the issues we have raised. We are very concerned about supply. Many people have referred to the price of power supplies but it is no good if nothing happens when the switch is turned on. It is crucial that power is available. Earlier this year we were in the middle of shearing but when we lost power, the workforce had to go home. Reliability of supply is very important. However, there is no doubt that improvements have been made over these past few years.

In saying that we have some concerns with this bill and that we might vote against it, we acknowledge that it has a lot of support. The Chamber of Commerce and Industry and other industry bodies have indicated that they want the legislation to proceed for a number of other reasons.

Following the meeting at Koorda, another meeting was held at Jerramungup that about 150 people attended. As I recall, they supported a motion for the government to spend \$50 million a year over 10 years on the SWIS network. That indicated the obvious recognition of the need for work to be done.

The regulator's role will be crucial in providing some sort of audit and ensuring that the network performs to a standard that everybody expects. The recognition by the relevant people that Western Power's performance had to improve has made an enormous difference to the funding. Following the two meetings, the Energy Safety Directorate allocated approximately \$49 million over a number of years, albeit just for basic power supplies.

I refer now to other issues that arise as a result of splitting an entity. I was involved in the privatisation of Westrail and I am therefore aware that the attendant workforce must be looked after. I would like the minister to give me some indication of the impact of the disaggregation on Western Power's workforce. I refer also to the cost of restructuring. We have been advised that the restructure of Western Power will account for approximately \$36.8 million of the total reform package of \$153 million. The project costs of splitting Western Power into four separate entities include a one-off implementation cost of \$4.8 million, \$10.6 million for information systems and \$7 million per annum for ongoing costs, which comprises \$2.4 million in additional staff costs - including board and chief executive officer costs - and \$4.6 million in additional information systems operating costs, including an additional metering cost of \$0.3 million. I am interested in what duplication costs will be involved in establishing the four new corporations. We have been advised that they will be minimised due to the delivery of shared services by a single-service provider. I am intrigued that the government wants to pull something apart and then put it back together again.

**Hon Kim Chance:** They are services that are generic in nature, such as payroll, HR etc.

**Hon MURRAY CRIDDLE:** I understand the thinking behind that. However, this bill disaggregates something, so I am very interested to see whether savings can be made above the cost of establishing the corporations. It will be very interesting to see just how those funding arrangements are finalised.

I do not want to continue for long because I want to debate these issues in committee. I will outline the amendments the Nationals intend to move. Firstly, we want to enshrine the regional power improvement program in the legislation to ensure that the newly created Networks Corporation spends at least \$12 million a year on the worst network problems. Secondly, we want to ensure that 50 per cent of all capital and operating

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expenditure by the Networks Corporation is spent in regional WA. We also want to ensure that all Western Power SWIS and off-grid customers have access to off-peak power rates. There is an issue for operations such as bakeries and so forth. It has been identified in Esperance that they are operating without the benefit of any low, off-peak power rates. That is a real concern, because those people are competing against similar types of operations which are within the south west interconnected system and have the benefit of low, off-peak power rates. The Nationals have a real concern about that. We have an amendment on the supplementary notice paper concerning that issue. I will be very interested to see how the debate proceeds in that regard.

I will reiterate the points that I made in my opening remarks. The Nationals will support the second reading of this bill, and we look forward to the debate at the committee stage. I look forward to the comments of the Leader of the House in his summing up of the second reading debate. We are certainly committed to getting headworks funding for the network, which is another very important issue. We cannot expect to encourage industry into regional WA with the current cost of headworks. I have talked about the contributory scheme. Some means must be found whereby people can alleviate the up-front funding. In the other house, different instances were identified. Our leader referred to a number of occasions on which people were charged heavily to commence businesses. That is obviously an impost that businesses do not need straightaway. As a business travels along and receives income, it can pay those charges. That is a totally different thing from businesses having to pay those charges up front and having an enormous debt on their shoulders as they commence operating. They need to have the earning capacity early on, without having to pay those up-front costs.

I mentioned the employees of, and the cooperation we have had in some of the discussions with, the Office of Energy and also Western Power. We thank them for that. I am certainly looking forward to gaining an understanding of the requirement for funding of the SWIS in regional Western Australia, and also the off-grid networks. I will be very interested in the comments of the Leader of the House as we go into the committee stage.

**HON KIM CHANCE (Agricultural - Leader of the House)** [5.22 pm]: I thank all members for their comments on the Electricity Corporations Bill 2005. The comments have been wide ranging, and have mostly been directly concerned either with the issues raised in the Electricity Corporations Bill or with the economic issues, principally, that flow directly from the effect of the outcomes of the Electricity Corporations Bill. We did on occasions have an even more broad-ranging debate about matters that were linked to the bill somewhat more tenuously. However, that is not surprising, nor is it a matter that concerns me unduly, because when we deal with legislation of this kind, which lies at the very fundamentals of the economy, clearly issues of a very broad nature are raised. However, I was grateful for all the comments that were received, particularly those of Hon George Cash.

As Hon George Cash was the lead speaker for the opposition, I will deal with his comments first. It is very clear that Hon George Cash has gained a profound understanding not only of the effect of the bill and the issues surrounding the bill itself, but also of the impact of the electricity industry on the state's economy and, indeed, on the state's society. The indication of support that honourable members have given, in varying degrees and with varying conditions attached to that support, is appreciated and welcomed by the government.

The government firstly specifically welcomes the comments by Hon George Cash in this house about the need to restructure Western Power Corporation to promote new private sector investment in generation, and to deliver the competition necessary to put downward pressure on electricity prices. I note that Hon George Cash will move amendments that will ensure that service standards applicable to customers outside the south west interconnected system are regularly reviewed by the independent Economic Regulation Authority. The government is prepared to consider the amendments proposed by the Liberal Party and listed on the current supplementary notice paper. It has indeed been positive to receive that constructive input on this legislation from Liberal Party members in both the other place and the Legislative Council. Indeed, this legislation is so fundamental to our economy that it needs to have a high level of bipartisan support. This legislation will govern the way in which the core inputs to our economy will operate over the next 40 or 50 years. Therefore, it is absolutely crucial that we all not only have a pretty good understanding of its fundamentals, if not its detail, but also are supportive of the general thrust and direction of the legislation.

The government's six per cent renewable energy target was raised by Hon George Cash. The government has committed itself - we have seen a further demonstration of this today - to achieving a target of six per cent renewable energy for the south west interconnected system by 2010, and the achievement of that target is indeed well under way. The Premier noted that just the other day. Evidence of this is the 89-megawatt wind farm of Alinta Power Services Pty Ltd and Renewable Power Ventures Pty Ltd. That is a massive wind farm on any scale. The parties are constructing a wind farm near Geraldton. Indeed, it is pretty well fully constructed now. Also, Griffin Energy and Stanwell Corporation plan to construct another huge wind farm of some 80 megawatts

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at Emu Downs near Cervantes. That is scheduled to enter service about this time next year; that is, in October 2006.

One of the really important issues raised by Hon George Cash and a number of other members was that this legislation is necessary to enable Western Power Corporation to get on with the job. That job is to focus on the generation, the transportation, the sale and the regional supply of electricity as distinct and separate businesses. I believe Western Power has been distracted for far too long by the uncertainty about its future. The bill now before the house removes that uncertainty, and it will enable the four successor entities to concentrate on their respective functions, unrestricted by the requirement to maximise the overall value of the business, as has historically been the case with Western Power. Preparation for the disaggregation of Western Power is well under way now. It will occur on 31 March 2006. The Office of Energy and Western Power are already working to deliver the restructure by the designated date.

Hon Barry House questioned whether the new market would provide adequate generation capacity to meet system requirements. This question has been raised on a number of occasions. The new independent market operator established by the government will have a key responsibility to ensure adequate capacity on the south west interconnected system.

Hon Barry House also raised the potential conflicts of interest that have historically existed due to the vertically integrated nature of Western Power, as the corporation was previously both a supplier and, to a certain extent, regulator. The government has established a number of institutional arrangements to address these matters. Firstly, the Economic Regulation Authority will independently determine the Electricity Networks Corporation's access agreement as well as grant, monitor and enforce operational licences issued to the four successor entities. In other words, there is an independent arbitrator. Secondly, the restructure establishes a clearer corporate focus for each of the four corporations by clearly separating their business functions. These entities will then be accountable for their separate business functions.

Hon Paul Llewellyn's perception is that the government does not possess a coherent industry plan that can achieve an electricity supply that is fair, equitable, modern, clean, safe and reliable and meets social and economic environmental needs. That is simply not correct. The government not only has a policy of change for the state's electricity sector, but also has made extensive progress in the delivery of market structures that seek to achieve a balance of all the matters the honourable member referred to.

The blueprint for those outcomes was the recommendation report of the Electricity Reform Task Force that undertook a structural review of the entire Western Australian electricity industry. That review was undertaken with unparalleled public consultation across the state in the years 2001 and 2002 and it considered more than 150 public submissions. The 79 recommendations that were submitted to government in October 2002 received extensive stakeholder support, including the support of the renewable energy sector, because at last we had a document that clearly articulated that the structure of the state's electricity sector was, in its then form, an unsustainable structure.

It needs to be noted that the bill before the house does not restructure the state's electricity market per se. It provides for the restructure of Western Power. Parliament has previously considered and endorsed legislation that provides for the restructure of the market. We did that in the form of the Electricity Industry Act. We are very much dealing here with the restructure only of Western Power. We have already made the decisions that we needed to make about the industry.

The government is committed to delivering electricity reform to the state's electricity market. The government has an impressive track record in delivering those outcomes.

I will outline some of the market reforms that have been undertaken to date. We established a top-up-and-spill electricity market in June 2004 in what was an interim step to the establishment of the wholesale electricity market. "Top up and spill" is a lovely term, but it is absolutely vital to enable the entry to the market by co-generators, particularly the smaller co-generators. One example of that, although it is not in the south west interconnected system, is the sugar mill at Kununurra. As members know, sugar mills actually generate more power than they use. They do that by generating steam, thus electricity, from burning off the gas from the crushing process. A company of that size that is actually able to sell the surplus electricity from its generation - that is, surplus to its needs; in other words, to spill over the surplus into the system - is an example of what might be able to be achieved in a number of different locations around the state. Indeed, when we look at the quality and reliability problems out on the extremities of our SWIS lines, those extremities to which Hon Murray Criddle referred, top up and spill may well provide the answer to meeting the quality and supply problems in those more remote areas. One that comes to my mind very quickly is Bremer Bay. Although Bremer Bay now has a wind generator, prior to that it had probably one of the worst reliability and quality records in the state.

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Other indicators of the way we have been moving to get these market reforms on line was the creation of a new electricity networks access code in November 2004. The creation of that code encourages new electricity generators and retailers to enter the market by providing for access to the network owned by Western Power on fair and reasonable terms and conditions. It is one thing to make a carrier available, but, unless there is some means of governing the fairness of that availability, we are effectively shutting out third party suppliers.

Deregulation of the electricity market assisted by enabling more than 12 500 customers to choose their electricity supplier from 1 January 2005. A customer transfer code was established by the government in December 2004 to support the efficient transfer of customers from one retailer to another. Further, extensive progress has been made towards the establishment of a wholesale electricity market, including the establishment of an independent market operator and wholesale market rules. That happened in October 2004.

These initiatives will allow for the planned commencement of the new market in the second half of 2006. This market was specifically designed by taking into account Western Australian circumstances. We have had the opportunity to learn from the mistakes made in other jurisdictions when they set out to create the same market. The Western Australian customer service code that was created in December 2004 specifies acceptable and unacceptable behaviour by an electricity marketer distributor and/or retailer.

The establishment of a Western Australian electricity licence regime on 1 January 2005, administered by the Economic Regulation Authority, ensures that electricity generators, transporters and retailers are technically, financially and managerially capable of undertaking electricity supply.

More recently the government has committed to a renewable energy target of six per cent by 2010 for all electricity generated within the south west interconnected system. The key missing element in all of this is the reform of the state's electricity industry by the restructure of Western Power. That is the question that now lies in front of us. It is one part of a much bigger program, but it is the single most important part.

I note Hon Paul Llewellyn is generally supportive of the restructure legislation and is seeking to move amendments in the committee stage. The government is pleased to consider those amendments.

Hon Anthony Fels queried how regional customers can be looked after as a result of, or because of, the restructure. The restructure of Western Power will provide major benefits to regional network customers through a range of mechanisms. It will do so by establishing a separate networks corporation with its own dedicated board and specific management - management that is clearly accountable for the network performance, reliability and safety. In other words, if a deficiency shows up it will be much easier to get to those people who have direct responsibility for that deficiency. It will establish a new regional power corporation, which is focused on service delivery outside the south west interconnected system. It will have funding certainty, which is provided through the transparent tariff equalisation fund. I will focus more on the word "transparent" in a moment, because that is a very important part of the legislation and one that we are not considering enough. It will facilitate private sector investment in generation. That is a very important part.

We spoke a lot during the second reading debate about the benefits of contestability, which is really what this legislation is all about. Contestability and private sector investment in generation, in turn, will free up a substantial amount of capital for government that can be invested in the network infrastructure. Throughout the second reading debate a number of references were made to the need for that investment. References have been made to the government's indication and commitment that it will spend some \$2.3 billion on the network. A number of references have been made to the historic underspending in the network over many years. Nobody put it better than Hon Murray Criddle when he said that it is very important when the switch is turned on that the power be available. He almost implied, and I think it was going through his head, that that is even more important than price.

**Hon Murray Criddle:** I did say that.

**Hon KIM CHANCE:** I did not hear the honourable member say that, but I knew he was thinking it. If it is there, bang! That is what comes first. People will worry about the price later.

**Hon Murray Criddle:** If you have been through the 12-volt, 32-volt and 240-volt engines and then you actually get the power that comes through the conductor and it is there, that is what makes the difference.

**Hon KIM CHANCE:** Yes. I had the advantage of gaining access to mains power at an early stage, and that is why I asked the honourable member when he had that service. We had that access to mains power a little earlier, in late 1963, and it was like living in another world. No matter how good diesel generator sets were in those days - they were pretty good by then - nothing beats the convenience and the cost of being able to switch onto mains power. I mention "cost", because in the year before I came to Parliament I worked in secondary industry, in steel engineering with quite a small country steel fabricator. At that stage I was concerned about the price we paid for power supplies, and I ran off some figures for Moylans about the cost at which we could generate our

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own power. I could not generate power for less than three times the cost we were paying. I think we were paying about 10c a unit, and the cheapest I could get our power down to was 30c a unit; that is, with direct diesel generation. Once it gets to around a megawatt or two, there are ways to challenge those prices and to challenge them pretty successfully -

**Hon Murray Criddle:** We did challenge them in Esperance when we put the generating sets on the port authority land for CBH and others.

**Hon KIM CHANCE:** Yes, but even then that was catering for the big generator sets of a quarter to half a megawatt.

**Hon Murray Criddle:** Yes, they were fairly big.

**Hon Anthony Fels:** You would be paying the fuel excise on your fuel inputs, when SECWA or Western Power were not facing that same cost.

**Hon KIM CHANCE:** Yes, that would make a substantial difference. Hon Bruce Donaldson expressed some concern about the age of the network, and I have referred to that generically already. As I said, the government recognises that it has problems in the network. We have problems with network reliability and, in a sense, we will always have some problems given the extent of our open aerial network, but it does need to be much better than it is now. The government has indicated that it will spend some \$2.3 billion in a program to address the matter, but I do not believe - I do not think generally the government believes - that that is the answer to all the problems. I think the answers are contained within this legislation, and those answers will grow out of the market and out of issues such as transparency. I said I would come back to transparency and I suppose now is as good a time as any to do that.

We have been concentrating on the mechanics and the logic of disaggregation and we have missed one of the strongest points. Somehow it has been pushed into the shadows. I personally think that one of the strongest points of this legislation and the legislation that precedes it, because the logic applies to both being taken together, is that in a short time - not immediately - we will see some transparency in the electricity industry and the way things are done. I will go back to the analogy about co-generators at the end of the line or at the end where power is most needed. I have always thought that was the answer, and it has always seemed as though there are points in the power system, whether SWIS or any other system, at which power is worth more to the main line supplier in some places than it is in others. The logic of that is simple. It is obviously worth more to generate power at Northampton or at Bremer Bay than it is 10 kilometres from Muja. Power is cheap at Muja because that is where the big generators are located. Huge power losses occur getting power from Muja to Northampton and beyond, which means the power in that area must be very expensive to deliver. We are selling power to Hon Murray Criddle, as I recall the farmland price that was mentioned during question time the other day, for about 16c a unit.

**Hon Barry House:** It was 15.88c, I think.

**Hon KIM CHANCE:** For farm businesses?

**Hon Murray Criddle:** It is somewhere around that.

**Hon KIM CHANCE:** Yes, in the low to mid-teens. When I spoke to Western Power about supplying power to a wheatbelt town east of Perth I was told that unless we can supply it at 5.3c the town does not really want to know about it. Western Power says that 5.3c is too expensive. I thought, hang on: 5.3c coming in and 15.3c going out means a carrier can retail a margin that is twice the cost of generation. The logic is there. A carrier could pay a lot more if it could input power at Northampton or at Bremer Bay than if it were a few miles out of Collie. Transparency will give us a commercial map of the state, which will give the co-generators clear indications about where the market actually needs power pumping into it and what price the market can pay for that power.

**Hon Murray Criddle:** It will be an interesting analysis.

**Hon KIM CHANCE:** Yes. That is all it needs. In my view, the market will proceed to fix that.

**Hon Murray Criddle:** If they have the capacity to generate in those areas.

**Hon KIM CHANCE:** Yes. There are options. Wind farms would not be terribly efficient in my area to the east, but they certainly would in Hon Murray Criddle's neck of the woods.

**Hon Murray Criddle:** If you fix the conductor up there.

**Hon KIM CHANCE:** Yes, if we fix the conductor. We will do that.

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**Hon Murray Criddle:** That is the limiting factor for the wind farm there now. The point I am trying to make is that unless you get the infrastructure right, you won't be able to pump the power out.

**Hon KIM CHANCE:** Yes, the infrastructure must be right. That is the number one issue.

A market cannot work without data, and that is why those of us who are involved in markets spend so much of our time analysing market data and specialised publications. The grain industry, for example, does nothing but analyse market data. The Australian Stock Exchange does the same.

**Hon Murray Criddle:** You'd better not start me on that; otherwise we'll be here all night.

**Hon KIM CHANCE:** Market data is important. The electricity industry effectively operates with no market data at all. The reason I raise that issue is that we have talked about transparency in the market being an advantage only for a co-generator. What about the advantages it might offer alternative network suppliers? That will be possible once this industry is split into its parts. I am not saying that it will be possible now as a result of this legislation. However, splitting the industry into its components will allow us to explore those opportunities in the future.

**Hon Anthony Fels:** So you're saying that Western Power can't do that now. The organisational structure that is there now can't do that analysis itself.

**Hon KIM CHANCE:** No, Western Power does not want to share it because it is commercially confidential. When a generator tells Western Power that it wants to supply power in the Avon industrial area, Western Power may say that the generator must get its price under 5.2c. How does the generator know that that is the market price? How does the generator know that that is not just some generic price that Western Power has come up with? How does the generator know that it does not cost Western Power 7.5c to get power into that area? Until there is some transparency in the process, which there effectively is in every other market, the generator will not know whether Western Power is just freezing it out because it wants to keep that market to itself. If there is any element of that - I would be amazed if there were not - who is paying for the margin? We are, our industry is and our kids are because they will not get jobs. That is why this legislation is important. Unless a market is transparent and open, it cannot function.

**Hon Murray Criddle:** I just hope you're right about the transparency.

**Hon KIM CHANCE:** We must make sure that we get that.

**Hon Murray Criddle:** There are some things that you're not guaranteeing on the expenditure side. The other issue is guaranteeing transparency.

**Hon Anthony Fels:** It's a shame that the government utility was not that transparent before this legislation.

**Hon KIM CHANCE:** I am the original regulator. I am an old left-winger and I believe in state enterprise. The trouble is that when we try to mix state monopolies in a market-driven economy, it does not work any more. We have to move with the times.

**Hon Murray Criddle:** I almost agree with you, because I handled the Westrail bill. We just need to know that the work will be done.

**Hon KIM CHANCE:** Yes, and we need guarantees of that. Importantly, this is not a bill that privatises. This bill seeks to make the old state monopoly contestable, and contestable in its components. The first legislation made it contestable; this legislation makes it contestable in its components so that it is manageable. I am not suggesting that all the things I envisage for this industry in the future will necessarily happen as a result of this legislation. It will provide opportunities, perhaps, for future legislators to ensure that that happens. However, the way in which Western Power is structured now means that no legislator in the future will have that opportunity. This is not the end of the line for the reform of this industry. It is a big step in the right direction. Other things probably need to be done. I am not speaking for the government now; this is my own view. That is part of the government's vision; that is, by making this reform, we take the industry forward a long way.

Hon Norman Moore spoke about electricity prices and those prices having a significant impact on a resource-based economy. One of the key objectives of the electricity reform process is to reduce the cost of energy by attracting new private investment. Hon Simon O'Brien spoke in favour of the full deregulation of the electricity market. The government supported a legislative amendment moved by the Liberal Party in the other place, which requires that a review of the timetable for the implementation of full retail competition be undertaken by 2009.

I note that Hon Murray Criddle raised issues about network services in regional areas, and that is consistent with the position of the National Party in this debate. The government is concerned that the amendments that have

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been placed on the supplementary notice paper by Hon Murray Criddle may result in difficult legislative outcomes, but I look forward to dealing with those during the committee stage. The regional power improvement program is a significant initiative of the government and is jointly funded by the government and Western Power to improve network services in regional areas of the south west interconnected system. During debate in the other place, the government provided a further commitment that the existing level of funding of \$12 million per annum will be maintained for the current budget period until 2008-09. Similarly, it would be inappropriate to specify a particular proportion of the networks capital expenditure to be spent in the country regions of the SWIS. The government is determined that the networks expenditure program should be decided on the basis of need, rather than through an arbitrary formula. I imagine that we will discuss that issue in more detail at the appropriate time.

Again, I thank all members for their contributions and for their indications of support for the bill. Again, I commend the bill to the house.

Question put and passed.

Bill read a second time.

*Sitting suspended from 5.57 to 7.30 pm*

*Committee*

The Deputy Chairman of Committees (Hon Louise Pratt) in the Chair; Hon Kim Chance (Leader of the House) in charge of the bill.

**The DEPUTY CHAIRMAN (Hon Louise Pratt):** We are dealing with the Electricity Corporations Bill 2005, bill 039-2. It has 192 clauses and five schedules. I draw members' attention to supplementary notice paper 39, issue 3.

**Clause 1: Short title -**

**Hon GEORGE CASH:** I will make a few comments about clause 1, "Short title". In the first instance, the Deputy Chairman referred to supplementary notice paper 39, issue 3. However, I understand that another supplementary notice paper is being printed at the moment, and that contains a number of negotiated amendments that will no doubt be available shortly.

The purpose of my rising at this stage is to indicate that while the minister was delivering his second reading response, there was an opportunity for a number of members, in particular Hon Paul Llewellyn and me, and later Hon Murray Criddle, to meet and discuss certain amendments that will appear on supplementary notice paper issue 4, and in some cases rewrite those amendments so that they flowed better and were properly placed within the bill itself. In that regard, I thank the minister's two advisers, Mr John Bradley and Mr Simon Thackray, for the time that they put into those negotiations prior to the dinner break, because they will enable us to save some time during the committee stage. In that regard, those negotiations were most useful and will obviously be helpful in saving parliamentary time.

I have a number of amendments in my name on the supplementary notice paper. I made the point during the second reading stage that I would move a number of amendments. However, I point out that some of my amendments relate to statements that were made in the Legislative Assembly when it was considering the Electricity Corporations Bill 2005. My colleague Dan Sullivan, who is the shadow Minister for Energy, was concerned that the network performance standards of the Regional Power Corporation be appropriately covered. In that regard, as the opposition spokesman in this house, I will move amendments to ensure that there is a legal requirement for a review of the network service standards applicable to the Regional Power Corporation relative to the Electricity Networks Corporation to ensure that regional customers are not left behind. To address that matter, I will propose a series of amendments that we can discuss when we get to them. However, generally, they relate to Regional Power Corporation functions, a review of the reliability and quality of supply standards applicable to the Regional Power Corporation, and amendments regarding the tariff equalisation fund.

I need say no more at this time, except that the fact that the second reading debate was held over about three days can, in some respects, be a disadvantage. However, in this circumstance, because of the various amendments that are proposed to the Electricity Corporations Bill by a number of parties, it has provided an opportunity for some of the issues that were to be raised to be teased out on the way to this committee stage of the bill. With those comments, we support the short title.

**Clause put and passed.**

**Clause 2: Commencement -**



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**Hon GEORGE CASH:** Clause 2 deals with the commencement of various parts of this bill. When compared with other bills, this is a rather lengthy commencement clause. It provides that a number of separate provisions and parts within the bill will come into operation at different times. Will the minister give an indication of why there is a need for the various parts, clauses and schedules that are listed in clause 2 to come into operation at different times, and will the minister indicate what are the likely dates of those parts, clauses and schedules coming into operation?

**Hon KIM CHANCE:** I was going to work my way through the individual parts and the functions of those parts. However, I think I can do it rather more quickly than that. The clause obviously states the time at which the various parts of the bill will come into effect, without specifying a date. However, importantly, it groups those parts that will come into effect together, and separates those parts from the other parts that will, or may have, a different start-up date. The reason for that differentiation is that various provisions need to come into effect at different times because of the impact of the restructure and because the creation of the successor entities will in fact occur at different stages in that process. Therefore, the separation of the start-up dates of the various parts of the legislation reflects that. Some provisions will need to come into effect when the bill receives royal assent because various powers are necessary to effect the restructure. Specifically, I refer to the transfer order mechanism that is contained in part 9 of the bill. That is why clause 2(2)(b) refers to part 9, other than specified provisions, coming into effect at a different time from other areas of the bill.

The remaining provisions will come into effect on proclamation rather than the date of assent. Proclamation is not due to take place in respect of some provisions until the Minister for Energy is satisfied that the transfer order or orders required under clause 147(1), which provides for the transfer of assets, rights, liabilities, legal proceedings, successor entities etc, has been made. Therefore, it is next to impossible for me to give the honourable member even an indication of the approximate date because the date on which that can occur will vary according to other events, and, secondly, the minister's judgment of those other events.

#### **Clause put and passed.**

#### **Clause 3: Terms used in this Act -**

**Hon GEORGE CASH:** "South West interconnected system" is a term used on many occasions in the bill; it is defined as follows -

**"South West interconnected system"** means the interconnected transmission and distribution systems, generating works and associated works -

- (a) located in the South West of the State and extending generally between Kalbarri, Albany and Kalgoorlie; and
- (b) into which electricity is supplied by one or more of the electricity generation plants at Kwinana, Muja, Collie and Pinjar,

as expanded or altered from time to time;

I understand that that is probably as concise a definition that one can provide for such a wide area of land. It is not as though we need surveyed boundaries for the south west interconnected system. In general terms, it is that area to be supplied by the electricity generation plants at Kwinana, Muja, Collie and Pinjar. However, I note that in respect of clause 52, which deals with the area of operations for the Regional Power Corporation, the Regional Power Corporation's area of operation is generally that area not served by the SWIS. Which comes first in respect of precedence - the south west interconnected system or the regional power system? Secondly, if the south west interconnected system has precedence, as it expands into areas that would formerly be within the area of operations of the Regional Power Corporation, by that mere expansion, and therefore alteration of the SWIS boundaries, will SWIS creep into the areas of operations that would formerly have belonged to the Regional Power Corporation? May any other activity occur to either expand the south west interconnected system or contract the Regional Power Corporation's area of operation?

**Hon KIM CHANCE:** Hon George Cash's reference was clause 52.

**Hon George Cash:** It was as a matter of convenience. There are other definitions of that area.

**Hon KIM CHANCE:** Yes. Let us go back to the definition of the south west interconnected system at the top of page 4 of the bill. The south west interconnected system is not a geographic area. It describes a system. The geographic references in the definitional clause simply roughly locate the south west interconnected system. If we were to define SWIS as a geographic boundary, it would move all the time as services expand, if, indeed, that is to be the case. We must understand that the south west interconnected system, as the name implies, is a system rather than an area, and the definition refers simply to where SWIS is found. It is also helpful to understand where it is found and how it relates to clause 52, which is a new provision and has no equivalent in

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the Electricity Corporation Act 1994. This clause provides that the performance of the Regional Power Corporation's electricity function within WA is not limited to systems that are not served by SWIS. It has to define itself as being functions carried out in areas other than those areas serviced by SWIS. There are exceptions to that situation. The reason for the co-relation between the effect of clause 52 and the definition in the definitional clause is to ensure that services provided to the Electricity Generation Corporation can be taken into account. The performance of functions relating to the supply of gas, steam or telecommunication services is limited in the same area. The purpose is simply to define a difference between those services, but a clear definitional issue separates the function of that corporation from the area serviced by the south west interconnected system.

**Hon GEORGE CASH:** The fact that the minister emphasised that the south west interconnected system is very much a system that happens to cover a geographic area, and is defined by way of a system rather than specified points within a geographic area, is helpful. I deduced from the minister's comments that the south west interconnected system could be a moveable feast - that is, as more points are supplied within the south west interconnected system, areas of land that were previously within the area of operations of the Regional Power Corporation would be subsumed, so to speak, within the south west interconnected system.

**Hon Kim Chance:** Yes. An example of how that could occur might be that if there were a big industrial development at Ravensthorpe, which, I think, is part of south west interconnected system -

**Hon Bruce Donaldson:** No.

**Hon Kim Chance:** No. However, an expansion of the energy demand in Ravensthorpe may dictate a need for the expansion of the SWIS to Ravensthorpe, and then, with the backwards reticulation of energy, it could go even further east out to Esperance.

**Hon GEORGE CASH:** I deduce that the south west interconnected system is the primary system that could eat into the area that is to be separate.

**Hon Kim Chance:** That's possible. If the SWIS were to expand, the RPC would no longer exist in that area.

**Hon GEORGE CASH:** That is right. If the south west interconnected system expands, the Regional Power Corporation contracts.

**Hon Kim Chance:** Yes. Alternatively, if for some reason SWIS contracted, the RPC could expand.

**Hon GEORGE CASH:** Yes, that is right.

I now better understand why we do not have specific surveyed points and we are talking in general terms, because we are very much talking about a system rather than specific geographic points.

**Clause put and passed.**

**Clauses 4 and 5 put and passed.**

**Clause 6: Corporations and officers not part of Public Service -**

**Hon GEORGE CASH:** Will the minister advise of the policy reasons behind the proposition that the corporation is not to become a public sector body under the Public Sector Management Act 1994, and that neither the chief executive officer nor any member of staff is to be included in the senior executive service provided by the Public Sector Management Act 1994?

**Hon KIM CHANCE:** It is a clause that essentially replicates existing section 6 of the Electricity Corporation Act 1994. The purpose of this clause is to specifically exclude the successive Western Power entities and their staff from the public service and the senior executive service under the Public Sector Management Act.

**Hon GEORGE CASH:** I understand that is the purpose of the bill, but what are the policy reasons behind the chief executive officer and members of the staff not being covered by the Public Sector Management Act?

**Hon KIM CHANCE:** Because their conditions of employment are different from those provided under that act.

**Hon MURRAY CRIDDLE:** I understand what the minister said about clause 6, but subclauses (3) and (5) of clause 21 are virtually asking the board to comply with the Public Sector Management Act with regards to standards. Subclause (5) states -

The Commissioner for Public Sector Standards may at any time recommend to a board any amendment that he . . .

What degree of influence does the commissioner have over these particular corporations?

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**Hon KIM CHANCE:** The best way I can explain it is that there is a desire to maintain conditions of employment in terms of the standards. However, we want to relieve the successor organisations of the limitations of those conditions in the Public Sector Management Act which relate to specific issues, such as salaries. With the constraints of the Public Sector Management Act operating on salaries, the successor organisation would have great difficulty in competing for staff with other private sector providers. The government wants to ensure that the standards which are set in the Public Sector Management Act are adhered to, even though the successor organisation is freed from limitations that may apply to conditions such as salaries.

**Hon MURRAY CRIDDLE:** It seems that a government instrumentality will be overseeing the corporation, which from my understanding of the bill we are trying to move away from. It seems the corporation will still have the dark cloud hanging over its head.

**Hon KIM CHANCE:** Perhaps I can define it a little better. Apart from what I said, which I think is accurate enough in defining those differences, the clause provides that the board of a successor organisation has to, after consultation with the Commissioner for Public Sector Standards, set its own minimum standards in areas of merit, equity, and probity applicable to the management of staff of the successor entity. It does not mean that they are tied by the act; it does mean they need to bear in mind those requirements, but by way of example only in those areas - merit, equity and probity. These are minimum standards which ultimately will be set by the board, but the board in setting those must have due regard for the principles contained in the Public Sector Management Act, specifically section 8 of that act.

We have spent a lot of time in years gone by discussing the provisions of section 8 of the Public Sector Management Act. We all understand the difficulties that are involved. I made my own very rural analogy of it and said the rules that delineate appropriate and inappropriate conduct in the private and public sector are rather like fences. Rules are boundaries, and fences are boundaries. However, what has evolved over centuries to be appropriate fences in the private sector and what has evolved over centuries to be appropriate fences for the public sector are actually quite different. We know that we can build a fence to contain horses and it has worked well for horses for centuries. We know we can build a fence to contain sheep and that has worked well for sheep for centuries. However, if one tries to keep sheep in a horse yard they will walk out of it. I have always had some difficulty trying to apply one set of rules to another form of operation. A set of rules for the public sector will not necessarily work for the private sector. Successive governments have attempted to find a way in which the principles of one set of rules can be effectively applied in the other field of endeavour. This is one way to do it. It may be an awkward way, but it requires the board of the successor organisation to take account of the issues dealing with probity as they determine what those rules are.

**Hon GEORGE CASH:** I understand why the minister intends that the chief executive and members of the staff not be included in the senior executive service provided for by the Public Sector Management Act. The reference in clause 21 to minimum standards of staff management is obviously relevant. I am not arguing that they should be public sector employees. It is an interesting situation in which it is almost a case of having two bob each way. They will not be under the Public Sector Management Act, but they will at least get the equivalent standards in respect of the employment conditions of a public servant. The minister also mentioned that there was a need to have the employees outside the Public Sector Management Act because it could be difficult to recruit staff. That is to say the salary levels offered under the Public Sector Management Act provisions may not be enough to attract staff to the new corporations. That is interesting, because back in 1994 I was involved with the then Premier and others in considering the corporatisation of what became Western Power and AlintaGas. That argument was used on a number of occasions. I invite the minister to bear in mind that, once Western Power was corporatised in about 1994, the salary levels of the senior executive staff skyrocketed, and that certainly did not flow through to the rest of the workforce. I would expect that the same occurred in AlintaGas. The only good thing that can be said about AlintaGas was that it was later spun off and became a private organisation. No doubt it must now pay the market price, so to speak. However, they pay on performance, and Alinta has been a stellar performer in the energy market in Western Australia. Over a period I tried to find out the exact amount that people in Western Power were being paid. There was generally some fumbling in the response because, in my view, they would have been embarrassed to have made public the salaries that some of the senior people were getting. If the minister thinks that he is well paid - I do not know whether he thinks that - they were getting twice what the minister was getting.

**Hon Kim Chance:** I would be well paid if I were working only three months the year.

**Hon GEORGE CASH:** I tend to agree that it is sometimes out of proportion when ministers are paid considerably less than the officers they are able to direct, although from time to time there are reasons for that happening. I make that point because I have said on a number of occasions that I do not think that the senior managers of Western Power have done credit to the organisation over a period of years in so much as they did not have the vision required of such an important state utility. I believe that, as a result of their not having the

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forward planning and the vision, we have been restricted in economic terms and this has affected the creation of job opportunities.

I will not object to the clause; I just wanted the minister to explain some of the reasons for its present form. The minister has done this, and I have no objection. I want to relate something later on about the directors of the place and whether or not they can be public servants. I say as a matter of record, when I speak to the minister, that it will be very interesting to see whether or not, when these corporations come into existence, we see another skyrocketing of the salaries paid to senior people. I do not think that is necessary because, as much as they are no longer protected by the shield of the Crown, there is no doubt that they still live in a somewhat closeted environment. In fact, one of the prime reasons for this bill is to try to introduce some competition and in due course, when these corporations are competing with other players in the industry on the same terms and conditions, perhaps their managers should be well and truly compensated in the same terms.

**Clause put and passed.**

**Clause 7: Head office of Regional Power Corporation -**

**Hon GEORGE CASH:** Clause 7 reads -

The head office of the Regional Power Corporation is to be located in a part of the State that is not served by the South West interconnected system.

Clearly, as we have only a few minutes ago described the area covered by the south west interconnected system, there is a huge area of the state left to choose from for the location of the Regional Power Corporation's head office. Firstly, can the minister advise whether a decision has been made on the location of the head office? Secondly, how many employees or staff are likely to be required to administer or operate the Regional Power Corporations? Thirdly, can the minister give some indication of the likely annual costs of this Regional Power Corporation? At one stage - it may have been when we were discussing the 2003 bill - it was suggested that the head office of the Regional Power Corporation would be located in Karratha.

While the minister is giving consideration to those questions, I want to make the point that in my view the Regional Power Corporation is unnecessary. I believe that it has been created very much as a sop to country Western Australia; to give the impression that it is serving country Western Australia better by being located in a country area than it could serve if it were located in the metropolitan area. In respect of the office space and the accommodation that will be required for the staff - my anticipation is that the office is likely to be located in the Karratha region because that was discussed some years ago - rent maintenance alone for the staff will create quite a significant burden on the Regional Power Corporation that would not have existed had it been located in Perth. I believe that the Regional Power Corporation could have operated as efficiently and effectively had it been located in the city as it would have had it been located in a country area, wherever that might be, and that is up to the minister to tell us.

**Hon KIM CHANCE:** I might need Hon George Cash's assistance to make sure that I cover all the three questions that he asked. He is quite correct that the government has decided that the headquarters of the Regional Power Corporation will be located in Karratha. The number of employees attached to the headquarters is a matter still to be determined. That is one of the things that will be sorted out as the issue goes through the wash.

**Hon George Cash:** Can you give a figure in very broad terms? Will it be 20, 30 or 40? Last time it was only going to be 17.

**Hon KIM CHANCE:** I really do not know. All I can say is that it is yet to be determined. Clearly, if it is to be the headquarters, and the headquarters is to be a functional, viable unit, it will involve a considerable number of senior and administrative staff. We are not doing this as a sop to the regional areas. We are genuinely committed to regional development. The Pilbara is an important part of our regional network, although I acknowledge that it is certainly not the only part. Given the significance of the Pilbara as an energy market, it is important and appropriate that it be the location of the Regional Power Corporation headquarters. I do not know what the cost will be; that will come out of the process. However, the benefits that will accrue from the location of the headquarters in Karratha significantly outweigh a number of the impediments that might be encountered, including the cost.

**Hon GEORGE CASH:** It is interesting that, the last time we talked about the break-up of Western power and changes to the electricity industry and other acts in 2003, some indication was given about the number of staff, in broad terms, and the cost of the operation. I understand why the minister cannot give exact figures - it would be unrealistic to expect him to do that - but he could give some broad idea of just how many staff were anticipated and the actual cost. I ask the minister to think about that aspect.

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I make one other point. I will regard the leader's response as a somewhat political response and therefore I will reaffirm my position, which is a political position, although it is grounded in economics. I refer to the cost of operating the Regional Power Corporation. The Regional Power Corporation could operate more efficiently and effectively, given the technical skills that are required for its operation at a management level, were it located in Perth, where there is a greater catchment of the skills required. However, I understand the political imperative for it to be located in Karratha. I will not argue with the minister about that. I just looked at Hon Ken Baston and thought, "Why not put it in Broome?", because that would be a very good spot, but that would only compound the problem I mentioned about costs. It would be even worse cost-wise if it were located in Broome. Can the Leader of the House give some indication about the numbers and the staff? If he cannot, that is fine.

**Hon KIM CHANCE:** I cannot do that now. I will try, as soon as I possibly can, to get some meaningful figure to the honourable member. I am not equipped at this stage to give even a ballpark figure, and I would rather say nothing than guess. I will comment about the regional location. I understand the points made by the honourable member. I was reminded of the days when I was a federal parliamentary candidate defending my opponent, Wilson Tuckey, who was under attack by the National Party candidate for living in Perth. Wilson Tuckey's defence was that if he wanted to have his home where he could roll out of bed in the morning and climb onto his tractor, it would be better to live in Katanning, for example, but if he wanted to live five minutes away from the airport so he could reach the whole of his electorate where he spent half his working life, it was more sensible for him to live in Ascot where his electors could get to him from within an equal radius, roughly, because Perth is pretty much at the centre of the O'Connor electorate. We can make the same argument about Perth, and we can also make the same argument, somewhat differently, about the Pilbara. Wilson Tuckey's argument was true to the extent that each of the components of his electorate was more or less homogenous and spread roughly equidistant from each other and from where he lived. Were there - and there is not, of course, in the O'Connor electorate - one town of great significance, say a town three times the size of Geraldton, it would have been difficult for him to argue the same case. It would have been difficult for him to say that he should be in Perth and not in Geraldton, a town of 100 000 people. I think that is the case with Karratha. The regional network is significant; it is a significant investment. Wherever we try to service it from, we will have problems. The crux of the member's argument is, given all of that, we would be better servicing it from Perth because of the efficiencies. Our argument is that the Pilbara part of that network is so significant and so big that it is like having a town the size of Geraldton, only three times as big, in the O'Connor electorate. That is basically our argument. I think logical arguments could be made either way, but we are sticking with Karratha.

**Hon George Cash:** That is your argument and you are sticking with it.

**Hon KIM CHANCE:** Yes.

**Clause put and passed.**

**Clause 8: Boards of directors -**

**Hon GEORGE CASH:** Subclause 8(1) provides that there will be not fewer than four and not more than six persons appointed by the Governor on the nomination of the minister, but subclause 8(2) provides that the chief executive officer of a corporation may be a director of the corporation. The comments that I will make relate to the earlier reference that clause 6 states that the officers of the corporation are not part of the public service, although they will enjoy basically the same conditions as those enjoyed by members of the public service, but with greater salary opportunities. I direct the leader's attention to Commission on Government report No 4, published in July 1996. The Leader of the House will remember the arguments that the Commission on Government raised at that stage about public servants being members of certain committees and boards. The report contains a significant chapter on this matter. I would be interested to know why the chief executive officer, who will perform the equivalent role of a managing director in other places - I am not arguing a distinction in roles - should also be a director when the chief executive officer is to be required to carry out his obligations at the direction of the board. Is there a conflict of interest in the chief executive officer/managing director being a member of the board? Having decided that the chief executive officer is to be a member of the board, should that therefore lead one to believe that the various issues raised by the Commission on Government in July 1996 were ill-founded?

**Hon KIM CHANCE:** No, they were not at all ill-founded. The Commission on Government quite properly made recommendations and supported them with impeccable logic, but it was referring to a circumstance entirely contained within the public sector. It is quite common for a managing director - the chief executive officer - of a board in the private sector to be a determinative functionary of the board. I think this reflects private sector practice rather than public sector practice.

**Hon GEORGE CASH:** Given that the Treasurer is the principal shareholder - in fact, he is the only shareholder of the Western Power Corporation - why should we distinguish between a body that is owned as a government

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entity and a private enterprise? Why do the recommendations of the Commission on Government not apply to what is a government enterprise?

**Hon KIM CHANCE:** I guess the reasons for that are the same as previously existed. This is not a new provision. This is part of section 7, in this case, of the Electricity Corporation Act. Nothing has changed.

**Hon George Cash:** I do not deny that it exists. The same applies in the Water Corporation, but why should the Commission on Government recommendations be set to one side to enable chief executives to be directors?

**Hon KIM CHANCE:** Because the functioning of these corporatised but publicly owned companies are operationally private sector, not public sector. They may be in fact owned by the public as key shareholders, but their operation could only be described as private sector and not public sector. They are public sector operations with public shareholding. How are these things defined? I have never been able to find the right words to define them. That is why I fall back to agrarian words like a horse fence and a shed fence, because I can actually understand those things. How is a publicly-owned, private-sector company defined when the publicly-owned company is functionally a private-sector company?

**Hon GEORGE CASH:** I understand the issues and problems to which the minister alludes. It is interesting when reading the views of the Commission on Government report about what public servants should or should not do and to compare that to a government-owned enterprise, because that is what Western Power is. A significant change can be seen from a government-owned enterprise to a private enterprise. The minister is quite right: chief executive officers are regularly the managing directors and are therefore directors of their respective boards. I have no problems with that at all. My query related to the public policy behind the practical operational issues, which the minister has well and truly covered. I am arguing that we seem to have set aside some of the recommendations of the Commission on Government report. It may be that the 1996 report was too purist in nature. The Commission on Government intended well. The report was unquestionably directed in part to the Parliament so that it would take certain actions. The commission wanted these issues that sometimes created conflicts of interest to be raised and thought about as various appointments were being made. A solution to overcome the problem that the Commission on Government raised at the time is to publicly acknowledge the appointment to the board of a chief executive officer of a government-owned corporation such as Western Power and to give justifiable reasons for the appointment. The Commission on Government was concerned that the power of some ministers to make appointments to a board could lead to a minister appointing a mate of the minister without justifying the appointment of the mate to such a senior position. The bill is very clear. It says that the government wants the CEO to be in a position whereby he may be a director of the corporation. We have, in part, recognised what the Commission on Government was all about back in 1996. As the minister knows, some of us are still around from the time when former Chief Justice Burt published the Burt Commission on Accountability report, later the Commission on Government report and some other very important reports that went to the core of governing government enterprises in Western Australia.

**Hon KIM CHANCE:** It comes back to fences for horses and fences for sheep in my view. We are talking about the rules and about a cross-pollination of the functions of the private and public sectors. We are talking about the disaggregation of something that already exists. The position of the Chief Executive Officer of Western Power is not changed by the disaggregation. We are not dealing with a new thing.

**Hon Paul Llewellyn:** There are four entities and not one.

**Hon KIM CHANCE:** Yes. The rules that we are putting around the probity of the person who is, from time to time, the CEO of these four corporations is no different from the rules that currently apply to Tony Iannello. We are not doing anything in this legislation that is different from the current legislation. However, that is not a reason for us to not debate the issue and to understand what we have been doing since 1994 when the current legislation was enacted. The Commission on Government and the Burt Commission on Accountability made recommendations in the same area. They made recommendations to the Parliament and the people about the way the public sector is administered. They clearly anticipated that this is the way public sector functions would be carried out. We are not creating a public sector organisation, but a hybrid organisation. It is a hybrid in the same way that we created a hybrid with the Electricity Corporations Act in 1994. Where is a line drawn between the two? Where do we say that this is a functional private sector operation, and therefore is not an organisation that the Commission on Government contemplated or that it is a public sector function that was contemplated in the Commission on Government report? I do not know the answer to that question. However, I suggest that a delineation can be made on the basis of whether the CEO is a public servant. If the CEO is not a public servant, that might be as good a way as any to define the point at which the corporate animal that has been created has stepped so far out of the public sector that it is functionally regarded as a private sector entity. I do not know whether commercial lawyers have an easy way of resolving this question, but it is a question for Parliament. I have been pondering this, and the then Standing Committee on Public Administration and Finance, which I

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chaired, spent hours deliberating on these issues. I still do not think we have a very clear definition about how to deal with these types of hybrid organisations.

**Hon George Cash:** That is the point. It is neither fish nor fowl. It is an easy decision to make for private enterprise and for public sector employees. However, what other mix should be mixed in with government enterprises?

**Hon PAUL LLEWELLYN:** These are precisely the concerns that we have about the corporatisation of entities and the lack of clarity between the separation of governments and enterprise. There is no reason why governments should not behave in a business-like manner. However, this is precisely the reason that Western Power, in effect, is operating outside the public interest in many ways. It is precisely why Western Power must be brought into control by disaggregating the entity. The discussion about the hybridised government entity and private enterprise venture tends to blur the boundaries between where government starts and where private enterprise starts and finishes. That underpins the historic dissatisfaction with Western Power as a corporate entity. We will see later in section 61 of the Corporations Act, and similarly in the previous Corporations bill, that the corporation was empowered to act as if it were entirely a private venture; in other words, it was entirely profit motivated. In many ways, the problem relates to the transparency of operations of government and corporations. These corporations will have some of the privileges and protections of government institutions and they will also have some protections from transparency matters, which I will refer to later.

If the Greens (WA) have a reservation, it is that the legislation blurs the very important boundary between private enterprise and government. In an agricultural sense, a mongrel, or hybrid, entity is being created. We will in time find that we need to rethink the corporations bill. I imagine that this goes part of the way towards privatisation. In due course, as the market disaggregation process happens, components of this entity and others will be bought off by private enterprise. I said yesterday that it would not necessarily be an Australian-owned enterprise. It could well be an international enterprise; that is, a multinational company could raid the propriety of our own institutions. That is very close to the bone; that is very close to raiding our Australian sovereignty. That is a reservation of the Greens. Given that we have been going down this road for a long time, we are almost compelled to go along with this model of corporatisation. We are raising a pretty important matter in the separation of private enterprise and government.

**Hon KIM CHANCE:** I will not say any more on this matter, but I will sum up by saying that, if this formation of a hybrid is the wrong answer, it presupposes that the existing structure of Western Power was the right answer; otherwise, there would be nothing to fix. It presupposes that the former State Energy Commission of WA model was an even better answer, because there was no doubt under whose control SECWA came. SECWA was, from top to bottom, a public sector organisation. There was no element of hybridisation there. I think this is the right answer, but the member is asking the wrong question. It is not a question of whether hybrids are good or bad; it is a question of whether the hybridised model is capable of being contested, and this model will be. Will it open the market to contestability? The SECWA model did not open the market to contestability. I will go all the way back to make a clearer comparison. I think the SECWA model was wrong and this model is right, because I think contestability is naturally good for the market. Will it be open to transparency? The SECWA model was not open to transparency. I believe that the hybrid model can be. Whether it will be open to transparency might depend on our future actions, but it can be and the SECWA model could not be. Those are the two key issues we must consider.

A hybrid is called a mongrel only by people outside the agriculture area. In the agriculture area there is the very scientific term "hybrid vigour". In the cattle industry, the three-way cross between the two *Bos indicus* from the continents of Asia and Africa and the *Bos taurus* from Europe produces the Droughtmaster, the classic Australian beef animal. That is hybrid vigour. As the species of *Bos Taurus* and *Bos indicus* are crossed, something better is created. This is what we are all trying to do here. There is an element of hybrid vigour in the outcome of this legislation. Mongrel is not always a bad word.

**Clause put and passed.**

**Clauses 9 to 18 put and passed.**

**Clause 19: Certain industrial matters excluded from employment agreements -**

**Hon GEORGE CASH:** Clause 19(1) provides a list of matters that are excluded from the operation of division 2B of part II of the Industrial Relations Act 1979. Given that division 2B of part II relates to industrial agreements, can the minister indicate why those particular matters have been excluded from the operation of the Industrial Relations Act?

**Hon KIM CHANCE:** Hon George Cash's question is somewhat challenging to answer because I do not have a copy of the Industrial Relations Act.

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**Hon George Cash:** I will give the minister a copy.

**Hon KIM CHANCE:** I thank the member. If he would not mind giving me a moment, I will work my way through his question with my advisers.

I thank members for their patience while my advisers and I had to work our way through that. I understand that the purpose of clause 19, and subclause (1) in particular, is to ensure that the provisions of clause 21, "Standards to be set out in instrument", which determines minimum standards for staff management, are reserved for the authority of clause 21 except in matters detailed in clause 19(1)(a)(i) to (iv). When those matters - rates of remuneration, leave, hours of duty, and matters that are similar to matters prescribed for the purposes of section 99 of the Public Sector Management Act - are involved, the provisions of the Industrial Relations Act 1979, part II, division 2B, will prevail. In other words, clause 21 prevails except in those enumerated cases in which the Industrial Relations Act prevails. It is important to understand that part II, division 2B - that is why we had to refer to the Industrial Relations Act - of the act deals with industrial agreements. It enables industrial agreements to be made for those purposes under the authority of that act, otherwise the provisions of clause 21 of the bill will prevail.

**Clause put and passed.**

**Clauses 20 and 21 put and passed.**

**Clause 22: Reports to Commissioner for Public Sector Standards -**

**Hon MURRAY CRIDDLE:** I am concerned that the Commissioner for Public Sector Standards may, in writing, require the board to do certain things. Subclause (3) states -

The Commissioner for Public Sector Standards may at any time report to the Minister on the content . . .

We are talking about people who are members of the board. They have certain responsibilities. Is that instruction not a conflict because they have to carry out the responsibilities in certain ways under other acts? Does that direction override the fact that they are board members?

**Hon KIM CHANCE:** They are required to provide information directly as a result of this clause, not necessarily to change the way they act as directors. However, we have to be very clear in our understanding that all employees and the board as well - I will have to check that - are required to meet those probity and ethical standards that are laid down in the Public Sector Management Act. That is the issue we went through with an earlier clause. If probity requirements are not being met to the extent that the Commissioner for Public Sector Standards was required to give an opinion on that, the commissioner, acting on the public's behalf, needs to be able to obtain that information and make recommendations to act or not act according to the commissioner's judgment. I do not see any conflict in that at all. However, the member has accurately pointed to just another one of those issues that arises from the hybrid nature of the corporate animal that we are dealing with.

**Hon MURRAY CRIDDLE:** This smacks of Canberra telling Western Australia what to do. The people are not independent board members at all; they will be told what to do. They are given guidelines about how they will operate. A very constraining mechanism is being put in place through this bill.

**Hon KIM CHANCE:** I can only agree; it is a constraining mechanism. It is a constraint to act with probity. We do not apologise for that.

**Hon MURRAY CRIDDLE:** That is all right provided they can operate in a reasonable manner. If restricting mechanisms can be put in place, they will not operate in a reasonable manner at all. I find it an amazing set of circumstances. They will have so many rules hanging over their heads that they may well not be able to function in a way that makes them reasonably viable.

**Hon KIM CHANCE:** I think that is being frightened of our own shadows. This has been in the existing act since 1994. It has never been raised as an issue of concern. There is no reason it should be an issue of concern.

**Clause put and passed.**

**Clauses 23 to 33 put and passed.**

**Clause 34: Terms used in this Division -**

**Hon PAUL LLEWELLYN:** This clause is the first under part 3 of the bill, "Functions and powers of corporations". This clause defines the terms for the division.

I initially wanted to move two amendments. Although this clause deals with several definitions including "renewable sources", it has no provision for "energy efficient technologies". I make the distinction between renewable energy and energy efficient technologies, which are the technologies that will help operate the system



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more efficiently, not just at the power generation level but with power distribution and power consumption. It will capture all three corporations - power, networks, and distribution and retailing - at the consumer level.

Before I move the amendment standing in my name, I wish to advise that I had another amendment that I have subsequently changed. It was partly from the goodness of my heart and partly through advice from the advisers. I foreshadowed that part of the amendment would include a reference to energy services as follows -

**“energy services”** means any service to meet the needs of electricity consumers in relation to  
the quality, reliability and energy efficiency of supply including load  
management;

The reason I want to introduce the definition of energy services is that, as I contended in my speech yesterday, consumers are not buying electricity but electrical services. If we do not embed into this legislation the capacity for these entities to supply energy services, we will find that it is business as usual; that the business of the new corporations will become encouraging greater consumption in the community, building more generators and making their businesses bigger. What I am suggesting in that regard is that providing energy services should be part of the business of any modern electricity corporation that supplies electricity and electrical services. That will come up in another part of the bill, as I understand it. I move -

Page 18, after line 10 - To insert -

**“energy efficient technologies”** means technologies, including but not limited to operating  
software, designed to improve the efficiency of electricity generation plant and  
equipment;

**Hon GEORGE CASH:** The opposition supports the amendment moved by Hon Paul Llewellyn. We agree with the proposition because we recognise that not all wisdom resides in the government, and certainly not all wisdom resides in the opposition. We are guided from time to time by the vision that Greens (WA) members are able to demonstrate to the chamber. I do not say that in any patronising way at all, as I have previously discussed these issues with Hon Paul Llewellyn, but from time to time the green movement in Australia has taken a very extreme position and then the major parties - the Liberal Party, the Liberal-National coalition party and the Labor Party - have gradually moved towards those positions. I think that has been of benefit to the community. In this particular regard we are not taking an extreme position at all, but we are recognising that other technologies in the community are being developed. Hon Paul Llewellyn in his second reading contribution made reference to a number of huge steps that are being made in new energy-efficient technologies that are available and will become available in the future.

I think the amendment will benefit the bill and the four corporations, because the amendment is being placed in part 3 of the bill, which deals with the functions and powers of the corporations, meaning the four corporations that we are talking about. Therefore, this definition will apply to the four corporations. In my view, it is somewhat forward thinking that will enable the corporations to do things that they may possibly not have been able to do had this amendment not been moved in the way it has.

Hon Paul Llewellyn also signalled, but did not move, an amendment in respect of the definition of “energy services”. That amendment was on an earlier supplementary notice paper but is not on the current fourth edition. That proposed amendment will be taken care of by way of amendments to other parts of the bill. Therefore, Hon Paul Llewellyn will achieve the incorporation of the energy efficient technologies definition. The amendment on the definition of “energy services” that Hon Paul Llewellyn wanted to include will also be incorporated, but in a different clause of the bill, so Hon Paul Llewellyn will also achieve that purpose. I say again that the discussions that we had prior to coming into committee have been helpful, because, whether the minister believes it or not, we have actually saved some time.

**Amendment put and passed.**

**Hon PAUL LLEWELLYN:** Because these amendments are rather fresh and it is the first time I have seen them, I will deal just with my amendment to subdivision 2, Electricity Generation Corporation.

**The DEPUTY CHAIRMAN (Hon Ray Halligan):** Order! Is the member dealing with a clause other than clause 34?

**Hon PAUL LLEWELLYN:** I am onto clause 35.

**The DEPUTY CHAIRMAN:** We have not reached that point yet; we will shortly, and the member will be given the call.

**Clause, as amended, put and passed.**

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**Clause 35: Principal functions -**

**Hon PAUL LLEWELLYN:** I move -

Page 19, line 10 - To insert after “electricity” -

from sources of energy including renewable sources

This is an amendment to subdivision 2, Electricity Generation Corporation. Clause 35 defines the principal functions of the Electricity Generation Corporation. I will be moving a similar amendment when we get to subdivision 4, which deals with the functions of the Electricity Regional Corporation. Paragraph (b) of this clause provides that one of the principal functions of the Electricity Generation Corporation is to acquire, transport and supply gas and steam. I have been talking in this chamber about the fact that these entities are living in the steam age. Therefore, I was surprised to find those words in the bill. Nowhere in the bill does it say that the Electricity Generation Corporation shall be obliged to acquire, develop, operate and supply energy efficient technologies, or supply electricity from other sources of energy including renewable sources. Therefore, I feel compelled to incorporate a new paragraph to include the words that it shall be required to acquire, develop, operate and supply energy efficient technologies. Let me see whether I can make this clearer.

**Hon Kim Chance:** We will be supporting the amendment anyway.

**Hon PAUL LLEWELLYN:** Very good, so I do not need to say anything more about this.

**Hon Kim Chance:** The more you talk, the bigger the chance you have of losing us!

**Hon George Cash:** I think you should explain exactly what you want, and then we can put it to a vote.

**Hon PAUL LLEWELLYN:** I thank members very much. This is such an enlightening process! This is warming my heart!

**Hon George Cash:** When I move an amendment, I will be looking to you for support! Just remember that!

**Hon PAUL LLEWELLYN:** I am deeply moved by the generosity of this chamber and all its members in accepting -

**Hon Murray Criddle:** Do not get too carried away!

**Hon Kim Chance:** And do not say that you are enjoying yourself, for God’s sake!

**Hon PAUL LLEWELLYN:** I am not! It was hard to be reprimanded like that earlier! I appreciate the cooperation from members on both sides of this chamber.

**Hon GEORGE CASH:** I indicate the opposition’s support for Hon Paul Llewellyn’s amendment. This amendment will partly achieve the objectives that Hon Paul Llewellyn set out in his earlier amendment, which is not a part of the supplementary notice before the chamber. The other part of his objectives will be achieved after he moves the next amendment standing in his name.

**Hon MURRAY CRIDDLE:** Certainly the National Party supports this amendment. I was quite surprised to learn when I was at Walkaway recently that renewables have reached three per cent, which is a low percentage. I am pleased to see that this provision has been included. There is a lot of room for renewables to be extended in the network.

**Hon KIM CHANCE:** The government also supports the amendment.

**Amendment put and passed.**

**Hon PAUL LLEWELLYN:** I move -

Page 19, after line 13 - To insert -

(c) to acquire, develop, operate and supply energy efficient technologies;

**Amendment put and passed.**

**Clause, as amended, put and passed.**

**Clauses 36 and 37 put and passed.**

**Clause 38: Restriction on sale of electricity to consumers -**

**Hon GEORGE CASH:** Clause 38 deals with the restriction on the sale of electricity to consumers and relates to subdivision 2 of part 3, which deals with the Electricity Generation Corporation. It is proposed that a restriction be placed on the Electricity Generation Corporation selling electricity for a period, which is seven years. We recognise the policy reasons behind this restriction. The object of the bill is to disaggregate what is currently a

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vertically integrated enterprise. It is proper that there be a restriction for a period. However, there has been criticism that once disaggregated, the various entities that formerly comprised Western Power will not be able to be put together again. That is true, too, for the Electricity Networks Corporation, because that will be an independent network organisation. With regard to generation and, later, with regard to the Electricity Retail Corporation, after a period the minister will have the authority to lift this restriction to enable electricity generators to sell electricity and electricity retailers to generate electricity, if that is the wish of the government at the time. The opposition therefore supports the restriction. We also support the capacity for the minister to lift the restriction in due course.

**Clause put and passed.**

**Clauses 39 and 40 put and passed.**

**Clause 41: Principal functions -**

**Hon MURRAY CRIDDLE:** This is the first clause that refers to the Electricity Networks Corporation. It has always been the National Party's intention to future-proof the electricity network by ensuring that customers in regional and rural areas deemed to be not viable are able to return a profit and can continue to receive funding in the future. The minister will be well and truly aware of the points I made during the second reading debate when I said that meetings have been held at which 270 complaints were made as a result of the Energy Safety Directorate's operations, and that \$48 million was targeted for those areas of regional Western Australia. Those of us who recognise the change in the political landscape, as we go into the future with the one vote, one value legislation, will also be aware that political power will not reside in country areas, as the votes just will not be there. The minister has already given a commitment to the leader of my party with regard to the next four years, but we are very concerned about the budget in the out years after 2009. The National Party is therefore of the view that we need to be assured that moneys will be spent. Hence, I move -

Page 22, after line 18 - To insert -

- (i) in respect to 41(a) this is to include the Rural Power Improvement Program; and
- (ii) in subsection 41(a)(i), "**Rural Power Improvement Program**" means the program to improve power supplies to the South West Interconnected System in rural Western Australia jointly funded at not less than \$12 million per annum by the Corporation and the Minister.

**The DEPUTY CHAIRMAN (Hon Ray Halligan):** Hon Murray Criddle has moved an amendment that includes in proposed paragraph (ii) the words -

funded at not less than \$12 million per annum by the Corporation and the Minister.

It appears that the proposed amendment would require an appropriation of funds, which this house is unable to do. Would Hon Murray Criddle care to revise his amendment?

**Hon GEORGE CASH:** I am sure everyone agrees with your ruling, Mr Deputy Chairman, that the amendment infringes section 46(3) of the Constitution Acts Amendment Act that provides that the Legislative Council may not amend any bill so as to increase any proposed charge or burden on the people. Clearly, the amendment breaches that provision. Nonetheless, Hon Murray Criddle makes a very important point. Even though this amendment breaches section 46(3) of the Constitution Acts Amendment Act and therefore is no doubt out of order unless it is recast so that it does not impose a burden on the people - it is up to him in due course - the Liberal Party generally supports the thrust of his amendment. However, I invite members to examine the amendments in my name on the notice paper that will require the Regional Power Corporation to come under the access codes that can be set by the Economic Regulation Authority. If the Regional Power Corporation must adhere to a code set by the authority, not all will be lost if this amendment is ruled out of order, as you appear to have done, Mr Deputy Chairman, under the circumstances. The Liberal Party believes that by ensuring that the Regional Power Corporation is subject to an access code set down by the Economic Regulation Authority, we will be able to achieve the proposition sought in Hon Murray Criddle's amendment.

The amendment proposes that not less than \$12 million per annum be spent on the projects nominated by Hon Murray Criddle. That is a finite figure. Once it is incorporated in the act it will require an amendment to increase or decrease that amount. Although it is significant in today's terms, once an independent audit is done of the networks, it may be that an amount far in excess of \$12 million will be required. That can be considered in due course by the Economic Regulation Authority. We can achieve what Hon Murray Criddle is seeking by the amendments I am proposing to ensure that the Regional Power Corporation is subject to a code set down by the Economic Regulation Authority.

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**Hon MURRAY CRIDDLE:** I listened very closely to Hon George Cash's comments. I am not convinced that the Regional Power Corporation's being subject to an access code will deliver what we require in the south west interconnected system. That is why the amendment focuses on this issue. I accept that it has been ruled out of order under section 46(3) of the Constitution Acts Amendment Act. We are well aware of that provision. However, at the very least, we have made the point to the government that the network will seriously require funding well into the future.

The minister has committed to providing \$12 million over the four years of the budget. Who knows; we may have another minister by the end of the term. However, I would not wish that on him.

**Hon Kim Chance:** It is the government's commitment. A new minister would be bound by that.

**Hon MURRAY CRIDDLE:** I understand that the government has made that commitment. We accept that. It is just that the political landscape will change dramatically in regional and rural Western Australia in the future. I will listen intently to the debate on the amendment that Hon George Cash intends to move. If that amendment delivers the point that he has suggested, I will be more than happy. However, I will have some reservations until we get through that debate.

**Hon PAUL LLEWELLYN:** I support the principle and spirit of the amendment moved by Hon Murray Criddle for the National Party, because it reflects regional differences and the difference between metropolitan and regional areas. Hon Murray Criddle's amendment relates specifically to the south west interconnected grid.

*Point of Order*

**Hon KIM CHANCE:** Are we not debating an amendment that has been ruled inadmissible?

**The DEPUTY CHAIRMAN (Hon Ray Halligan):** I agree with the Leader of the House. I was giving the member some latitude, provided that he did not take up too much time.

*Committee Resumed*

**Hon PAUL LLEWELLYN:** The depth of inexperience in this house is extraordinary! I will speak later.

**Hon BRUCE DONALDSON:** I have been reading clause 41 for some time and the principle that it tries to expand. Paragraph (a) states -

to manage, plan, develop, expand, enhance and reinforce electricity transmission and distribution systems and provide electricity transmission and distribution services;

Paragraph (f) states -

by agreement with the Electricity Generation Corporation, the Electricity Retail Corporation and the Regional Power Corporation, to provide procurement, financial and commercial services to those corporations;

Paragraph (h) states -

to undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any purpose mentioned in this section.

The paragraphs are very clear. The clause does not outline an amount of money; the necessary financial and commercial services to those corporations will be provided by agreement with the other three corporations that will be set up. I wonder whether an amendment could be moved somewhere along the line. We could set aside this clause to pick up the fact that although we cannot mention a figure, we could possibly enhance the clause to pick up the principles that are being applied. I suggest that process to the committee and to members who will move other amendments to this clause. The intent of the legislation is quite clear in the paragraphs that I have highlighted. However, it will be only by agreement. I wonder whether the clause could be enhanced to pick up some of the principles that have already been expressed.

**Hon KIM CHANCE:** This clause deals with functions. Were it not for the prohibition on this place to deal with legislation requiring appropriations, I believe that Hon Murray Criddle's amendment would in any case have been out of order, because it actually deals with the wrong clause. An upper or lower limit cannot be put on those functions. I understand what Hon Bruce Donaldson is saying, but I remind him of what Hon George Cash just said. There is an amendment further down the line that I think will cover us in this regard. It may not meet the absolute requirement that Hon Murray Criddle has expressed on behalf of the National Party. I understand that argument because it was clearly articulated both in the other place and in this chamber. However, I do not think it is appropriate to deal with that question in a clause that is specifically about the functions of the corporation.

*Ruling by Deputy Chairman*

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**The DEPUTY CHAIRMAN (Hon Ray Halligan):** Members, we are dealing with clause 41, "Principal functions". The proposed amendment by Hon Murray Criddle has been ruled out of order. There is a further amendment to the clause.

*Committee Resumed*

**Hon GEORGE CASH:** Before that amendment is moved, I recognise that the Deputy Chairman has ruled Hon Murray Criddle's amendment out of order because it infringes the Constitution Acts Amendment Act. However, I want to make some further points. Firstly, I do not want to confuse the issue. The amendments that I will move in due course will deal with the Regional Power Corporation, and will require the Regional Power Corporation to have regard for any access code that is laid down by the Economic Regulation Authority. Hon Murray Criddle's amendment dealt directly with the south west interconnected system. However, we must recognise that the south west interconnected system is already subject to the Economic Regulation Authority and the Electricity Networks Access Code that is being developed by that authority. In particular, the current access code is dated 2004. That is a very significant access code. In that regard, the Electricity Networks Corporation, which will handle the south west interconnected system, must have regard for the standards of reliability and quality that are laid down. I understand why Hon Murray Criddle wants to specify a sum of money - in this case \$12 million - but I also recognise that it would be possible for the Economic Regulation Authority to require a particular standard of service and reliability that could necessitate more than \$12 million a year being spent within the south west interconnected system.

The good thing that has come out of this is that Hon Murray Criddle has said that the minister in another place has given a commitment to spend at least that amount of money, and the minister in charge of the bill in this place has also acknowledged that that is a commitment of the government. Therefore, all is not lost. However, in this house we are not able to put a finite figure on what we believe should be the minimum amount spent. I just wanted to clarify my amendment, because it relates to regional power in a different area.

**Hon PAUL LLEWELLYN:** I move -

Page 22, after line 26 - To insert -

- (d) to provide services that improve the efficiency of electricity supply and the management of demand on electricity transmission and distribution systems;

Do I speak to that amendment?

**Hon Kim Chance:** You don't have to.

**Hon PAUL LLEWELLYN:** I could, though.

**Hon Kim Chance:** You could.

**Hon PAUL LLEWELLYN:** I could and I shall. No, I will hold myself back.

**The DEPUTY CHAIRMAN:** The member has very little time available to him.

**Hon PAUL LLEWELLYN:** We will start the timer. I will speak very briefly about this amendment, which relates to the provision of energy services. I am now wondering why I was talked into putting this provision into this part of the bill, without having a specific definition for it. However, I will live with that. As I said, the depth of inexperience in this house is extraordinary. This is a principle that I believe is really important to any electricity corporation.

**Hon George Cash** interjected.

**Hon PAUL LLEWELLYN:** I thank the member. The concept behind the amendment is to have energy services provided to consumers. The intent has been watered down a little in the proposal on the supplementary notice paper. My original amendment outlined that energy services mean any services to meet the needs of electricity consumers in relation to the quality, reliability and efficiency of supply, including load management. I meant my amendment to act in quite a different way from the way it has turned out in the version on the supplementary notice paper. I accept that change, unless another way can be found to sort out the matter. The amendment refers to providing services that improve the efficiency of electricity supply and the management of demand on electricity transmission and distribution systems. The amendment has lost the intention to provide services to customers at the household level.

**Progress reported and leave granted to sit again, pursuant to standing orders.**