

SECOND READING SPEECH

ELECTRICITY CORPORATIONS AMENDMENT BILL 2013

I move that the Bill be now read for a second time.

The Electricity Corporations Amendment Bill 2013 contains amendments to the *Electricity Corporations Act 2005* to implement the merger of the Electricity Retail Corporation (trading as Synergy) and the Electricity Generation Corporation (trading as Verve Energy). It is intended that the corporations will commence trading as a single entity from 1 January 2014.

It is intended that the merger of Synergy and Verve Energy will achieve cost efficiencies and reduced corporate overheads in the merged business. The merger is the first step of a broader reform process with the aim of promoting an efficient electricity market that delivers cost-effective, reliable and safe electricity for consumers.

The Bill contains amendments to vest all assets, rights and liabilities of the Electricity Retail Corporation (Synergy) in the Electricity Generation Corporation (Verve Energy). The Electricity Generation Corporation will be renamed as the Electricity Retail and Generation Corporation. It is intended that this merged entity will trade under the name "Synergy".

Verve Energy was selected as the continuing legal vehicle for the merged entity as it holds the majority of the combined assets of the two corporations in the form of electricity generation plant. By retaining Verve Energy as the legal vehicle, there is no need to transfer these assets.

The Electricity Retail Corporation will not continue as a statutory body. The Bill will transfer all Synergy employees to the merged entity at the time of the merger. There is no need to transfer the employees of Verve Energy to the merged entity, as the Verve Energy legal entity continues in the form of the Electricity Generation and Retail Corporation.

The Government is committed to sustained private sector participation in the electricity sector. To achieve this, the merged entity must be subject to regulatory constraints.

The amended Act will allow regulations to be made to segregate certain functions within the merged entity. Under these regulations some functions within the merged entity will be subject to ring-fencing, a transfer pricing mechanism, and protocols governing the flow of sensitive information. These mechanisms and protocols will be designed to ensure that the merged entity will not unduly preference its own retail and generation arms over third party retailers and generators. This will increase pressure on the merged entity to be efficient, reducing upward pressure on electricity prices.

The amended Act will also contain the regulation-making power to allow the Minister for Energy to approve arrangements for wholesale trading of electricity by the merged entity. It is intended that this power will be used to oblige the merged entity to offer a range of standard wholesale electricity products on a non-discriminatory basis across the merged entity's own retail business unit and other wholesale electricity customers.

The purpose of the standard products is to provide the private sector with access to electricity on non-discriminatory terms and to mitigate concerns of private-sector market participants. The standard products will be offered under approved terms and conditions, and the prices will need to be non-discriminatory as compared with the notional prices available to the merged entity's own retail arm for an equivalent product under the transfer pricing methodology.

The merged entity will also be free to offer customised electricity products in response to requests from market customers, as Verve Energy currently does. These customised products will be subject to requirements on the process by which they are offered, ensuring fair and reasonable dealing with wholesale customers.

To ensure the merged entity is held accountable to its obligations under the regulations, the Bill provides that civil penalties can be imposed on the merged entity for non-compliance. The civil penalty regime will demonstrate to the private sector that the merged entity will be appropriately penalised for any non-compliance with regulations.

The associated Explanatory Memorandum contains further detail on amendments contained in the Bill.

In addition to the merger-related amendments, the Bill contains several ancillary amendments to the *Electricity Corporations Act 2005*. These ancillary amendments are designed to provide more flexibility in terms of the governance of the corporations, and also to provide the option to remove limitations on where in the State the electricity corporations are permitted to function. These ancillary amendments are described more fully in the Explanatory Memorandum.

Pursuant to Legislative Council Standing Order 126(1), I advise that this Bill is not a uniform legislation Bill. It does not ratify or give effect to an intergovernmental or multilateral agreement to which the Government of the State is a party. Nor does this Bill, by reason of its subject matter, introduce a uniform scheme or uniform laws throughout the Commonwealth.

I commend this Bill to the House.