

## **ELECTRICITY INDUSTRY AMENDMENT BILL 2007**

### *Introduction and First Reading*

Bill introduced, on motion by **Mr J.C. Kobelke (Leader of the House)** on behalf of the Minister for Energy, and read a first time.

Explanatory memorandum presented by the Leader of the House.

### *Second Reading*

**MR J.C. KOBELKE (Balcatta - Leader of the House)** [12.22 pm]: I move -

That the bill be now read a second time.

The purpose of the bill is to provide the heads of power for regulations to be made to permanently exempt the wholesale electricity market arrangements in Western Australia from the licensing requirements under chapter 7 of the commonwealth Corporations Act 2001. The wholesale electricity market is a key element of the government's electricity reform program and is essential to the development of a competitive electricity industry. Energy trading in the wholesale electricity market commenced on 21 September 2006. The wholesale electricity market is administered and operated by the Independent Market Operator, and wholesale electricity market rules govern the operation of the market and the conduct of its participants.

Key objectives of the wholesale electricity market are to ensure that electricity and electricity-related services are provided reliably and efficiently and that competition is encouraged amongst generators and retailers, including the entry of new competitors. The design of the wholesale electricity market is unique and was tailored for the south west interconnected system, which is physically isolated from other electricity systems. The wholesale electricity market includes the features of a day-ahead short-term energy market for the trading of residual energy with regard to the bilateral contracting between market participants, a balancing market, and reserve capacity mechanisms to secure sufficient generation capacity for the needs of electricity users ahead of time.

Chapter 7 of the Corporations Act provides for the licensing of persons who operate financial markets and financial services businesses. It is considered that the wholesale electricity market arrangements do not constitute a financial market for the purpose of chapter 7 of the Corporations Act, as trades directly relate to the physical supply of electricity and supply of capacity and not to the trade of financial products. However, if the licensing provisions under chapter 7 of the Corporations Act were to apply to the wholesale electricity market, they would represent a significant barrier to entering the market. This would be the case for smaller market participants in particular, and would increase the costs associated with trading in the market, with no added benefit to the current protection offered by the rules governing the operation of the wholesale electricity market. Ultimately, compliance costs would be passed on by businesses to consumers and the wider economy. Moreover, a failure to obtain necessary licences under chapter 7 of the Corporations Act may result in civil penalties or criminal proceedings.

The Australian Securities and Investment Commission has granted temporary relief from the licensing requirements of chapter 7 of the Corporations Act to the wholesale electricity market arrangements. This interim relief will apply until 19 March 2008. The bill provides the heads of power for regulations to be drafted to permanently exempt the wholesale electricity market arrangements from the operation of chapter 7 of the Corporations Act. The bill makes use of section 5F of the Corporations Act, which provides a mechanism by which the application provisions under the Corporations Act can be made an excluded matter by a state or territory for the whole or part of the Corporations Act.

The bill will provide certainty for participants regarding the application of chapter 7 of the Corporations Act to the wholesale electricity market arrangements in Western Australia. Mr Speaker, I commend the bill to the house.

Debate adjourned, on motion by **Mr A.J. Simpson**.