

Division 19: Economic Regulation Authority, \$1 639 000 —

Ms R.S. Stephens, Chair.

Mr M. McGowan, Treasurer.

Mr S. Edwell, Chair.

Ms J. Gardner, Chief Executive Officer.

Mr R. Sarawat, Executive Director, Energy Markets.

Mr R. Pullella, Principal Adviser, Regulation and Inquiries.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The Treasurer may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the Treasurer to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the Treasurer's cooperation in ensuring that it is delivered to the principal clerk by close of business Friday, 1 October 2021. I caution members that if the Treasurer asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the Leader of the Opposition.

[10.50 am]

Ms M.J. DAVIES: I refer to significant issues impacting the agency under division 19 on page 274 of budget paper No 2. I note that in February–March this year, the licence renewal was managed by the Economic Regulation Authority for the first time since the Water Corporation was created. The ERA sought public comment on licence renewal for the Water Corporation. The invitation to comment went out on 18 February 2021 and submissions closed on 12 March 2021—right ahead of the state election. Does the Treasurer think that is an appropriate time to ask for public comment on such a significant issue, given that this is the first time the licence has been renewed in 25 years? This is my understanding; I am happy to be corrected.

Mr M. McGOWAN: I invite Mr Edwell and/or his advisers to provide some comment on the question.

Mr S. Edwell: I was not in the role of chair at that time, so I am afraid I do not have the background. Maybe Mr Pullella can answer.

Mr R. Pullella: There is a prescribed process for licence renewals. We are undertaking the review, as required under the legislation. It is as simple as that. As to timing, it coincides with when the original licence would have been issued.

Ms M.J. DAVIES: It prescribes that it must be done by a specific date or time period. Is there no wriggle room, for want of a better phrase, given that this is the first time in 25 years that the licence has been renewed? As far as I can see, the opportunity to comment was less than a month. The deadline was literally the month right before the state election. I note that no submissions were made. Would that be normal?

Mr S. Edwell: Again, I have no background on that.

Mr R. Pullella: I will attempt to answer that question. There would be a prescribed question that we need to renew the licence, ideally by the anniversary date of the expiry. That would mean that we would need to go through our consultation process in advance of that date so that we are well informed about any issues or concerns with the licence renewal. Therefore, the date was chosen to allow sufficient time for the process to work its way through.

Ms M.J. DAVIES: When is the anniversary date?

Mr R. Pullella: I am not aware immediately. I can take that on notice and come back with an answer.

Ms M.J. DAVIES: Can I have some information on the actual time line—when the anniversary date was and how it fitted in with the requirement to have the processes dealt with?

Mr M. McGOWAN: I do not understand the issue. I am not aware of the issue. I invite the member to put the question on notice because I do not think I can provide a supplementary answer.

Extract from Hansard

[ASSEMBLY ESTIMATES COMMITTEE A — Wednesday, 22 September 2021]

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Chair; Ms Mia Davies; Mr Mark McGowan; Dr David Honey

Ms M.J. DAVIES: Perhaps I can explain it better. I am looking for the time line of events in relation to the ERA conducting this prescribed process and the key dates in that process so that it meets the deadline of renewing the licence for the Water Corporation.

Mr M. McGOWAN: I invite the member to put a question on notice. The CEO has advised me that she does not understand the question either. If the member can put it down on paper so we can understand it fully, we will provide her with the best answer we can.

Dr D.J. HONEY: I refer to page 273 of budget paper No 2, volume 1. Under “Spending Changes” is the line item “Energy Transformation Strategy”. I am intrigued about what the new regulatory functions for the ERA will be in relation to that new item.

Mr M. McGOWAN: I invite Mr Edwell to comment.

Mr S. Edwell: The energy transformation process resulted in quite a number of changes to the electricity market rules. As part of the model going forward to futureproof the electricity system with new renewable high-tech low-carbon technologies, the roles and functions of a number of agencies were transferred to other agencies. At a high level, we had some functions going from the market operator and Western Power back to the policy agency. A number of the ERA’s functions went back to the policy agency, but additional functions came to the ERA. That line item really relates to those net additional functions. We have picked up additional functions in terms of market monitoring. There will be a new market monitoring regime for generators. We have tightened up generator performance standards, so the agency has a higher level of monitoring and compliance responsibilities in that respect. Overall, the ERA currently monitors around 1 070 individual rules. As a result of the transformation process changes, we now have to monitor about 1 430 new rules. There is also a different framework in the way we go about that, which is required in the new rules. For example, rather taking a black-and-white approach in some areas, we now take a risk-based approach to compliance. That requires us to put a lot more thought into our compliance monitoring process.

Dr D.J. HONEY: Is it the view of the ERA that the regulatory changes are adequate and, in particular, timely enough for the rapid change in the energy market, given the pace of change? Some of the discussion we have heard back from the industry is that the pace of change is greater than agencies such as Synergy and so on are taking account of. I wonder whether the ERA has a view about that.

Mr S. Edwell: It is a regulatory challenge. The member is right; the rate of technology is down the street and around the corner. When that happens, there is always a risk that policy and regulation will get behind. It is fair to say that the transformation process is ongoing. The transformation process has made a number of very significant changes. Amongst those changes are changes to the access code. It does require Western Power in particular to be a lot more transparent and open in the way in which it connects new technologies. The forthcoming access arrangement provides for the ERA to give due regard to what Western Power needs to spend to connect new assets. I guess I would answer the question by saying that at this point in time, we think we have enough latitude, but I do not think the job is done.

Ms M.J. DAVIES: I refer to paragraph 5 on page 274 of budget paper No 2, volume 1, which states that the ERA is working with the Department of Treasury and stakeholders in the rail industry around the changes to the rail access regime. Now that the CBH Group and Arc Infrastructure have an agreement under the code, there is obviously an opportunity for the ERA to be more involved, I guess, rather than take the hands-off approach that we have seen over the past number of years. With that review underway, can I seek an assurance from the Treasurer that the ERA intends to take a much more hands-on view of managing that particular access agreement?

Mr S. Edwell: Treasury is running with the policy review. We are in consultation with Treasury in that regard. My understanding of the overall policy outcome is yes to providing the ERA with greater powers to oversight the regulation.

Ms M.J. DAVIES: And to use them?

Mr S. Edwell: Yes. In my previous life, I always thought that the rail access code had a number of constraints on the way in which the sector was regulated. I understand that this review will overcome some of those constraints.

[11.00 am]

Ms M.J. DAVIES: Is the Economic Regulation Authority resourced appropriately to take that role on? I would have thought it would not be an insignificant task.

Mr S. Edwell: There is no additional resourcing in the forward estimates at this time. That will depend on the roles and functions that we get when the policy is in place. But as is always the case with the agency, certainly in recent times, when we have new policies being thought about that might require more work by us, we engage with Treasury. I am hoping that when the policy is finally formulated, it will come along with a bunch of resources so we can implement it.

Ms M.J. DAVIES: So watch and see for the next budget.

Mr M. McGOWAN: I am sure the government will take account of what the ERA puts forward.

The appropriation was recommended.