

ELECTRICITY CORPORATIONS AMENDMENT BILL 2013

Third Reading

DR M.D. NAHAN (Riverton — Minister for Energy) [12.10 pm]: I move —

That the bill be now read a third time.

MR W.J. JOHNSTON (Cannington) [12.10 pm]: We will be opposing the third reading of the Electricity Corporations Amendment Bill 2013 because it is poor legislation that has been badly designed, it is unnecessary, it does not achieve the government's stated objective, there is no plan to support the introduction of the legislation, there is no interest in the community to support the legislation and it has not been asked for by either Verve Energy or Synergy. The minister cannot tell us how much it will cost to implement the legislation or how much it will save. There are no documents anywhere in the state that explain the reason for the legislation. The decision by cabinet to merge Verve and Synergy was made without reference to either of the companies or to the Public Utilities Office. In fact, the Minister for Energy implied in answer to a question in this chamber that he was not aware of the cabinet submission until he received it. This bill is the result of a flawed process, and because it is a flawed process, it is a flawed bill. The flawed bill will lead to serious consequences in the electricity industry.

I want to comment on the hypocrisy of the Liberal and National Parties in proposing to move the headquarters of Horizon Power to Perth. We divided on this issue during consideration in detail. I remind the Parliament and the people of Western Australia of the media release from the Liberal Party on 21 November 2007 from Hon Nigel Hallett, who was the shadow Minister for Regional Development at the time. At that time, a suggestion had come from the then Office of Energy that Horizon Power should move its headquarters to Perth. The Labor government did not accept that recommendation and never acted on it because it disagreed with that recommendation. What did the Liberal Party say at the time? It said —

“Fly in fly out is not an option when it comes to the provision of electricity in regional Western Australia”

...

“The excuse is that because the CEO cannot fly to these areas, travelling by car is more time consuming, costly and difficult to schedule, which could have a negative impact on the service provided to these out of the way places.

Perth, it is argued, would be a better base as direct flights to key regional centres are readily available. However, the shadow minister went on to say —

Welcome to the realities of life in regional Western Australia. The tyranny of distance and its impact on those living and working in regional WA is just a fact of life. People in regional areas just have to live with it and work around it or nothing would ever get done.

That is exactly what the Liberal Party, with the full support of the National Party, is doing. It is clearly walking away from its stated commitments to regional Western Australia. It is interesting that the Minister for Regional Development said—I am paraphrasing; his interjection is in *Hansard*—that the reason he lives in Perth is the same reason that we need the CEO of Horizon in Perth; it is because Perth is where business gets done. I cannot believe that the member for Pilbara does not think we can do business in Karratha, which is in his electorate. That is not accepted by the Labor Party; we do not agree with that. We reject it and we will vote against it.

The provisions that would allow the minister to have unfettered control in allowing Horizon to work inside the south west interconnected system and to have Verve and Synergy work outside the SWIS are bad decisions. Particularly bad is the decision that would allow the new Synergy, the merged entity, to work outside the SWIS. It is an unfettered right. Even though the bill contains directions to the companies to work within their areas of responsibility, this regulation-making power will provide an unfettered right to extend the capacity of these companies to work in each other's area. We are afraid that the same people who made the Muja decision that has led to tens of millions of dollars, if not hundreds of millions of dollars, of losses at the Muja power station will be able to decide to build a power station in a remote area. The Windimurra pipeline is still sitting there unused because of an uneconomic decision by a former Liberal government to build that pipeline for a project that did not succeed. What is to stop a future Liberal government—these same characters who have spent \$330 million to give a power station 10 years of additional life—from building a power station to support a project that never gets off the ground? The power companies in Western Australia should not be used for state development. State development should be separated from the operations of the power companies. We cannot have the individual electricity consumers of this state being asked to subsidise the business operations of the state. That cannot happen. It should not be allowed. This bill is designed to provide that opportunity for this Liberal government to

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make decisions without a business case. We know it does that because this bill has been presented to us without a business case. We cannot risk that.

Clause 14 of the bill provides for the powers to make regulations for the wholesale acquisition or supply of electricity. The minister said repeatedly in his second reading speech and in media comments that the regulations will protect industry participants from capricious decisions of government. But proposed new section 38 authorises the minister to make the decisions not through regulations but through wholesale arrangements. Those wholesale arrangements will never be presented to Parliament. The member for Mirrabooka made some comments last night on the nature of these instruments. Although the government says that the Independent Market Operator makes these decisions in this particular way, they are not analogous to the procedures that the IMO uses. The IMO is an independent body that brings together the participants in the market, who have a say on what ends up being included in those rules. This is not the situation with these wholesale arrangements. The wholesale arrangements will be made by the minister without reference to anybody else. When he acts here, he is acting as the shareholder of the companies. We heard from the minister last night that, potentially, even though lower cost electricity would be available in the wholesale market, he would not preference the lower cost supply of electricity for the merged Synergy. In other words, it will preference higher cost electricity. This bill is not designed to drive down costs or to get the best outcome for consumers. It is the minister's unfettered policy to get the best for the merged corporation. If Liberal members are prepared to give an unfettered right to this minister, here is a question for them: would they give me an unfettered right to regulate this industry? If they are not prepared to give me that same unfettered right, why are they prepared to give it to this Minister for Energy? There is no question that this bill provides an unacceptable power to the minister. The wording of it should not be in the form that it is; it does not provide any protections.

I look forward to receiving the briefing on the draft regulations that last night the minister so kindly offered. I have asked my office to contact the minister's office to arrange for that briefing to be held as soon as possible. Given my workload this week I hope it will be next week. Nonetheless, even if we see those regulations before we vote on this third reading—of course, we will not see them—they will be only facility provisions. The real power will be with the Minister for Energy to make unfettered decisions with reference to nobody. That is not good policy; it clearly creates a sovereign risk.

If the people of Western Australia decide that a Labor government should have office—it will always be up to the people of WA—this bill will give an incoming Labor government an unfettered right to change the rules governing this wholesale supply of electricity, without reference to this Parliament or industry participants and without any check or balance on the operations of the system, in the same way that the Liberal–National government is taking that right. That is called a sovereign risk. When a company makes a decision about investing in power stations, a 26-year-old PhD graduate sitting in an office in New York will be deciding whether their company invests in a power station in Perth or a toll road in Europe. It will not be a decision about whether Western Australia needs another power station; it will be about where the company can guarantee a better return. Because of this provision, the company will not have confidence in the returns it can get here in Western Australia. When we remove the opportunity for regulatory certainty, we create sovereign risk and that is what these provisions will do. We know that because investors in the industry are telling us and everyone else they talk to, as has been said on a number of occasions. This legislation is friendless. No-one outside the pay of the government supports this legislation.

The ring-fencing arrangements are the most bizarre part of the process. What does the government say about them? It says that it will bring together as one company the electricity generation corporation and the electricity retail corporation, but then it will separate the functions of that company. The government could achieve the objective it is seeking through clause 22 of the bill—the new power under proposed section 62—by simply issuing a ministerial directive. It could issue a ministerial directive to Verve to say that it is involved only in generation and wholesaling and to Synergy to say that it is involved only in retailing. Instantaneously, the government would achieve everything it is trying to achieve through this provision. It would not need to pass a bill.

It is important to remember that the government continually says—I am sure when the minister stands up he will say it again—that the market has not worked properly, it is not efficient and there are all these problems in the market. Of course, as we know, the government is not seeking to change the market. The Independent Market Operator and the Economic Regulation Authority will remain, with all their current powers. This bill will create an artifice inside a merged company containing two parts of a business; namely, the generation side separated from the retailing function. Why would we bring the two companies together and then separate them internally? If the minister says that the government will save \$1.1 million a year because there will be only one board and one CEO, he should look at what that means per unit of electricity. It will amount to only a rounding error and will never be able to be identified in practice.

Last night, the government told us that it believes this merger will cost roughly \$10 million, although there has been no written advice from anyone to the minister confirming that. The government expects those costs to be recovered within eighteen months, yet there is not a single piece of paper setting out any of the government's calculations. In fact, as we know, not a single claim by the minister in his second reading speech has been supported by any document tabled in this house—not one. One of the problems the opposition has had in the debate on this legislation is that 11 pages of the minister's 14-page second reading speech had nothing to do with the bill. That made the legislation very confusing for the opposition to deal with. Those parts of the minister's second reading speech dealt with matters unrelated to the legislation. On a number of occasions, the commentary in the bill related to the market that Verve and Synergy operate in. The minister said by interjection during the debate, "I am not changing the market." That is the problem. If his problem is the market, why is he not changing it? If there has been five years of under-performance of these bad operations, why has he not changed any of them? Why, even today, is the government not proposing one change to the market operations in Western Australia? That is bizarre. Although the government says this government is all about reducing red tape, through these regulations, it is now creating an artificial wholesale market inside this merged corporation. I have not talked about another problem with the regulations. The government is creating an extra layer of complexity in the energy system. It is not taking out one cost driver or one area of operation of any part of the system. The government is only adding one more layer of complexity. The government cannot provide a single piece of paper to anyone in Western Australia to show how this system will save costs. Nor is there a single piece of paper in Western Australia that shows the risks. It is unbelievable that the government has introduced a bill to this chamber that seeks to merge two companies with a billion dollars' worth of assets without a plan or an explanation; yet that is what it is doing.

Proposed section 62 also provides that the minister can make the decisions without reference to the market participants or any other process. If the government is prepared to give an unfettered right to a Liberal minister, is it prepared to give an unfettered right to a Labor minister? That is what this bill will provide and that will create sovereign risk. It is interesting that some market participants say that they really want to see these regulated standard contracts, because they will be able to cut their lunch for the new Synergy—the existing Verve. They say they will be able to undercut the new Synergy to get an advantage in the wholesale market. Good luck to them if that is what happens; but, if that happens, let us understand the death spiral the Premier is creating for the merged entity. In their present form—this is one of the purposes of disaggregation—the hidden cross-subsidies between the two entities are separated. The effect of proposed section 62 will be to put back in some of those hidden cross-subsidies.

If these competitors are able to undercut the new Synergy, those costs will go up, not down; there will be more costs in the system. That is not a sensible arrangement for the interests of the electricity system in Western Australia. But that is not a surprise because the basis of the constant complaint from the Premier about the current system is the loss of value. The reason there has been a loss of value in Verve Energy is that the company has been unable to compete with the private sector operators in the system.

The minister raised in debate some suspicion. He said that there was something unusual about Synergy's decision to buy power from the Bluewaters project. The minister needs to flesh that out. What exactly is the allegation that the minister is trying to imply about the decision by Synergy to buy power from Bluewaters? If Bluewaters were able to provide electricity at a lower cost, that would be to the benefit of every Western Australian. It would not be to the benefit of Verve Energy to get access to lower cost electricity but it would be to the benefit of every Western Australian. If the minister says that there was something unusual, something wrong or some subterfuge or dishonesty about that process, the minister needs to say so. It is unacceptable that he can leave hanging this idea that there was something wrong about the decision by Synergy to buy power from Bluewaters. He is the minister. He cannot allow that to happen. He needs to explain himself. He needs to tell the people of Western Australia whether he thinks there was something wrong with the decision by Synergy to buy power from Bluewaters.

Mr C.J. Barnett: Is Julian Grill involved?

Dr M.D. Nahan: Yep.

Mr W.J. JOHNSTON: If the minister thinks there was something improper in that decision, he needs to say what that problem was. The Premier just interjected something about Julian Grill.

Mr C.J. Barnett: Is he involved?

Mr W.J. JOHNSTON: If the Premier is saying that the decision of Synergy to buy power off Bluewaters was improper, he should say it now.

Mr C.J. Barnett: I am just asking: was Julian Grill involved?

Mr W.J. JOHNSTON: I have no idea. I was not in government at the time the decision was made.

The SPEAKER: Right, member for Cannington; carry on now.

Mr W.J. JOHNSTON: Thank you very much, Mr Speaker.

I want to know: is there an accusation from the government that somehow the Bluewaters decision was improper? The government is in charge here. If the government is suggesting that there was improper behaviour by Synergy in deciding to buy power from Bluewaters, that is a very, very serious issue. It should be referred to the Corruption and Crime Commission and it needs to be acted on. Let us understand that the Bluewaters power company subsequently went into receivership and is now under the ownership of Sumitomo and its partners. Sumitomo moved its South-East Asian headquarters to Perth as the base for its operations, which indicates a big vote of confidence in Western Australia. If the government is saying that there was something improper in that contract, the government needs to specify what it was and refer it for inquiry and report. The government cannot allow an innuendo about a major investor in this state to be left hanging without answer. It is an unacceptable corruption of the political process to allow an allegation to be left hanging without answer.

It is not possible for the opposition to answer this, because we are in opposition. The only people to answer this are the people making the allegation, which is the government. The government has all the powers and authorities it requires to investigate this matter. If there is anything untoward or anything that the government is suggesting has been done improperly by Synergy, the government has an obligation to refer that to a proper inquiry. If the government has no basis for an allegation against Synergy and Bluewaters, it needs to clear that up and clearly state that the contract between Synergy and Bluewaters was done in an appropriate manner. The government cannot allow an unsubstantiated allegation to float around just because it made it. It is a bizarre situation and is another one of those risks that I spoke about. Making these unfounded allegations against the private operator of a power station and then not referring those matters to any competent authority is a sovereign risk, as it makes it harder for business to be attracted to Western Australia—not just in the power industry, but across industry. There is an obligation on the minister, having made the allegation, to explain himself. This is a test of the minister's character. He is the only one—apart from the Premier by his interjection—with access to information that suggests anything improper was done by Bluewaters in respect of the Synergy contract or by Synergy in respect of the Bluewaters contract. The minister must clear this up. He must tell the chamber whether he believes there was improper conduct; and, if he does believe there was improper conduct, he must refer that matter to competent authorities for investigation and report. It is a test of his character. The minister cannot come into this chamber, as the Premier constantly points out, float an allegation and leave it at that. If the minister is saying that there was something improper, he should please tell us what he believes was done improperly and then refer the matter to a competent authority for investigation and report. If he does not do that, a sovereign risk will hang over this market.

I will be speaking to the leadership of Sumitomo in Western Australia to see what its response is to the allegation the minister has made, because the minister cannot do this. The minister has responsibilities to the people of Western Australia, not just to the man who sits in the chair there—the Premier. The minister needs to act properly. Floating an allegation about a contract with a private operator in this state and then having no gumption, no ticker and no character to follow through on that allegation is disgraceful and cannot be allowed to stand. It is a test of the Premier. If the minister will not reply to my comments in his response to the third reading debate, the Premier needs to deal with this matter. We cannot have the minister responsible raising an allegation against a private investor in this state and then leaving it at that and not coming back to clear up the matter. I say to the minister that if something has happened that was incorrect and improper, he should tell us what it is or what his suspicions are and refer it to a proper inquiry. If he does not do that, he is failing.

I want to finish on one final thing. The minister gets upset with me when I point out things about him not having the capacity to tell us where the business case is or what the details are of any of these things. The minister can take these things personally and come into this place and pretend that he is Troy Buswell, but it does not work. That is not the minister's character. Minister, I tell you what: take a look at what the Treasurer does during the consideration in detail stage of a bill. The Treasurer is respectful to Parliament in the consideration in detail stage. Although he and I and others in this chamber get into argy-bargy during consideration in detail —

Mr P. Papalia: Robust discussions.

Mr W.J. JOHNSTON: Robust discussions — the Treasurer still acts properly and answers the questions that are put to him. The opposition took a long time at the consideration in detail stage of this bill but it was not because we wished to delay its passage.

I remind you, Mr Speaker, that you were in the chair last night when I spoke one word on a particular clause. I used one word to put the Labor Party's position about a particular clause. We were therefore very accommodating of the needs of the government to have legislation properly debated while ensuring that the opposition's position was on the record. However, the reason that we took one hour and 50 minutes to deal with

clause 13 of this bill was that the minister would not answer questions or explain himself. As the Premier observes, this is the chamber in which accountability is held. If the minister does not know the answer, he should say, “I don’t know the answer and I’ll get back to you.” However, he should not get up and talk about things that are irrelevant to the conduct of the bill. He should answer the damn questions and move on. That is the way to get business done in this chamber. The minister is not any good. Nobody on this side of the chamber is scared of the minister. Nobody on this side of the chamber thinks that he is a good debater. But that is not the issue here. It is about being accountable to Parliament. The minister should get up, answer the proper questions that have been put to him by the opposition, and then we can move on. Then we will not take an hour and 50 minutes to deal with one clause.

The government has only itself to blame for the management of this bill through this house. We oppose it and we made it clear from the start that we would highlight the hypocrisy and explain why we oppose it. However, we were not going to waste the time of the chamber. That happened because of the behaviour of the minister. It is not in the interests of the government for the minister to continue to waste the time of the chamber. He needs to just get down and do his job, and then we will all be able to move on. It will be interesting to see what the minister does.

MR B.S. WYATT (Victoria Park) [12.40 pm]: I rise to debate the third reading of the Electricity Corporations Amendment Bill 2013 and to express my opposition to this bill. I was unable to participate in the second reading debate because I was paired. However, I want to put on the record my very firm opposition to this legislation. The member for Cannington has done a sterling job in outlining the opposition’s position in respect of this bill. It is important to remember that not one document in support of this legislation has been produced. The minister says there will be all these savings made and costs reduced, but not one document has been produced to justify those claims. There is not one third party outside the government in support of the government re-merging Synergy and Verve. The member for Cannington outlined in great detail the incredible bureaucratic nightmare being created with this ring-fence proposal, when a very simple solution was available to the government. The member for Cannington has outlined that issue in great detail. The minister spends his time outside this place telling people—the private sector—that he does not really support what he is doing with this bill. When the member for Cannington and I, and other members of the opposition, go to various events, we are told that Minister Nahan does not really agree with the bill and does not really support it. He comes in here arguing for it anyway, but he will not produce one iota of evidence or justification for the words he says about savings. That is an extraordinary way to go about implementing public policy. Compare that with how the energy sector has been reformed over the years, and I will briefly go through some of that in a minute, where there has been great consultation, great review and great feedback, in particular with the industry itself and with those private-sector investors in the energy industry. The member for Cannington has made the point that now the minister has said there is something inappropriate with the way the arrangement between Bluewaters and Synergy was entered into. That matter now has to be referred and I look forward to that going ahead. The member for Cannington will pursue the matter with those private-sector investors. The member for Cannington is right, the Minister for Energy is not Troy Buswell—he does not have enough ability to be quick on his feet to be Troy Buswell. The minister’s job is not to be Mr Buswell, but to be the Minister for Energy, and that may often mean standing up to the Premier. That is the minister’s job and at some point, hopefully, he will get to do it.

As I have said, in the second reading debate the Member for Cannington went into some detail, and I will not repeat it all. However, he made a point, and he is right: five years into the Barnett government this legislation represents the utter and comprehensive failure of the strategic energy initiative. When it was released the strategic energy initiative was to be the blueprint for the future of the energy sector in Western Australia—that is what it was sold as by the government. There was no reference to re-merging Synergy and Verve. There was no consultation with those key stakeholders—the group formed to advise government on energy; there was no reference and no consultation. Indeed, before the election, this re-merger was not going to happen. The one person who has argued for this has been the Premier. Not one other body outside the government has argued for this. The only reason that seems to make sense is because the Premier is trying to reverse a Labor government’s reform. When the government announced that this is what it wanted, the Chamber of Commerce and Industry of Western Australia was vehement in its response, describing the Premier’s statement as a complete U-turn on 15 years of energy reform work. I will briefly go through the history of the CCI, particularly its chapter around energy reform, because it shows that at the very least the Premier has some form of consistency in his suspicion of and opposition to private-sector investment in the energy sector. Over the course of this year I found myself surprised as a Labor member to be arguing for perhaps more right-wing and conservative fiscal ideology than the government argues and follows, but the reality is that the Labor Party is more friendly to the private sector, certainly under the member for Cottesloe’s reign as Premier. That is the reality. We are more comfortable with bringing the private sector into the energy sector in Western Australia—much more comfortable than the Premier and much more comfortable than the Minister for Energy. Despite what the Minister for Energy used to

say before he was elected to this place, he has walked away from that now and is simply selling himself out to sit at the cabinet of Colin Barnett. That is fine if that is what the Minister for Energy wants to do.

The member for Cannington started off his contribution to the second reading debate with some astuteness by asking the question about whether the government believes it is telling the truth in respect of this issue. We had some debate about the Premier's capacity to tell the truth yesterday, and I will not revisit that, but the point was made that the opposition was not prepared to participate in the debate. We had an election earlier this year, which is the key political debate point every four years in the electoral cycle. The Premier took a position that he walked away from—a position around not merging Synergy and Verve. The energy sector was working on the assumption that the Premier would stick with the truthfulness of his own words, but of course, that has since been walked away from. I emphasise this point: the minister has not yet produced one skerrick of evidence to justify on a financial basis why the re-merger of Synergy and Verve is a good thing. The member for Cannington outlined the ring-fencing. I went to the first briefing offered to the opposition by Mr Oates and some other staff and it was very useful. What struck me was the incredible bureaucratic process being constructed within this new entity to effectively keep it separate. I do not know whether this went through the regulatory gatekeeping unit. I do not know whether the Red Tape Reduction Group would have had much to say about this piece of legislation, but I dare say not. Within this beast, a so-called ring-fence is being created to stop it talking to itself. Does anybody appreciate the absurdity of bringing an organisation back together and then creating a bureaucratic nightmare to keep it separate within? What an extraordinary thing for a so-called conservative government to do.

The member for Cannington also outlined the impact on Horizon Power. Prior to the election I do not recall the National Party, which is perhaps the most urbanised National Party in Australia —

Ms R. Saffioti: The western suburbs-based National Party.

Mr B.S. WYATT: A very western suburbs-based National Party was going to walk away from the requirements of regional representation in respect of Horizon Power. I never heard that during the election campaign. Perhaps if the National Party had some members living in regional Western Australia, there might have been a bit of push back in respect of that particular change to the policy process. The member for Cannington has outlined the opposition's opposition to that and that is another reason we will certainly not support this legislation, because that can only be negative for the way Horizon goes about delivering its services to regional Western Australia. The member for Cannington went through the fact that it is not the Economic Regulation Authority but the Auditor General who is involved in this, and I dare say that the Auditor General will be subcontracting the expertise of the ERA simply because his office does not have the expertise to do what this legislation requires it to do. The member for Cannington also went through the dodgy accounting around the Port Hedland power procurement process that, interestingly, is all about the government avoiding having to go through the capital works process of delivering more energy.

I briefly want to outline some of the interesting history around energy reform. I will be very brief. I want to refer to a document I have referred to a few times, which is a book I know the Premier enjoys. It is *The CCI story: a history of the Chamber of Commerce and Industry of Western Australia and its founding bodies*. I went to the launch of this book a number of years ago—I think it was back in 2010. It goes through a number of different debates in Western Australia, for example, retail trading and, of course, energy, and a chapter is titled "Energy: A Role for Government or Business?". The book goes through that historic question that has been discussed in Western Australia over the past 15 or 20 years. As I have said, the Labor Party has always been more comfortable with and embracing of private sector investment in the energy sector. The book refers to the Carnegie review, which was done by Sir Roderick Carnegie, the former managing director of Rio Tinto, or CRA as it was then. He did an exhaustive study on SECWA—the State Energy Commission of Western Australia—as it was, and noted the fact that SECWA had dominated energy policy and entrenched its monopoly over many years. The Chamber of Commerce and Industry of Western Australia made the point that when Colin Barnett, the now Premier, was energy minister, he oversaw a number of reforms in the energy market. I quote from page 134 of the book —

What was not appreciated at the time was there would be a limit to the extent Barnett would allow electricity reform to go.

The book goes through the Court government's process around the sale of the pipeline and Alinta Gas. It is an interesting read. But there certainly was a lot of push by the CCI for further reform and great resistance from the energy minister at the time, Colin Barnett. I will quote from page 139 of the book. This is in respect of the argument for making incremental change and that the government really engaged in incremental change of the energy market only during the term of Richard Court's government. The book states —

The rub for the pro-competition camp was the accompanying announcement that the Government would spend \$1 billion building new publicly-owned power stations and that the role it saw for private sector generators would not be in open competition but in supplying Western power with a further 1000

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megawatts expected to be needed further down the track. CCI interpreted the announcements to mean Minister Barnett was not genuinely serious about opening up the electricity industry and relinquishing control.

It then goes on to quote the chamber—it is not crystal clear who it is actually quoting—and states —

“His (Mr Barnett’s) rhetoric implies an increasing involvement of the private sector in the generation and retail supply of electricity. But the detail of the program points to ongoing impediments and continuing dominance by the state utility, Western Power”.

Hence, at the very least, the most positive thing we can say about this legislation is that it reflects Premier Colin Barnett’s strong desire to have public ownership and public control of a large energy monopoly in Western Australia. That has certainly been the most comfortable position that the Premier has taken in the energy debate, having a large publicly owned monopoly in this space. The member for Cannington has made the point that this bill does not consider the consumer; it does not consider the client. It is more based around ensuring dividend flow to government. Interestingly, there is a subheading in the book titled “Labor on side of reform”, which makes a point. Let us not forget that this is a history of the CCI, which also makes the point that I have just made that it has always been the Labor Party in Western Australia over the last 15 years that has been much more comfortable with and much more embracing of private sector involvement in the energy sector. But, interestingly, bearing in mind some of the policy differences between the Labor Party and the Liberal Party at the election, we had a policy position of removing the tariff equalisation contribution from power bills that the government and the Premier vehemently opposed, although, interestingly, back in 2002, Colin Barnett, as opposition leader, mounted quite a fear campaign about how the uniform tariff policy and effectively the TEC was going to be—I have the front page of the newspaper with me—a power tax on Western Australians. When the Labor Party finally went about developing a policy to remove that power tax from power bills, of course, our Premier, Mr Barnett, changed his mind quite considerably.

There is one point I want to finish on in respect of the history of the debate around the energy market. Mr Speaker, I appreciate that you are giving me some leniency in light of the fact that I was not able to contribute to the second reading debate on this bill. This is the issue around the legislation that finally passed under the former Labor government to split Western Power. Of course, the member for Cottesloe resisted that. Looking at what the CCI said about that process, the book states —

A stalemate ensued. In an intense effort during this period, CCI took representatives of business to Parliament in a procession of small groups to try to win over, one by one, the Liberal and National Party MPs and the Greens and One Nation MLCs who held the balance of power.

Indeed, an article by the deputy chief executive of the CCI, Ross McLean, was published in *The West Australian*. As stated in the book, he commented —

“If ever a demonstration was needed that the electricity industry in WA requires an overhaul and opening up to competition, the mayhem last week was it. It showed how reliant the state is on an under-challenged monopoly utility and that customer and market considerations are not being met”.

That is at pages 142 and 143 of the book.

However, after 2005, Colin Barnett gave up the leadership of the Liberal Party and Matt Birney, the then member for Kalgoorlie, became leader of the Liberal Party and things changed. The Premier will know this book that I am quoting from; he has no doubt read it at length. In relation to the Birney Liberal opposition agreeing to support the Labor reform to split Western Power, the book states at page 144 —

Agreement from the Liberals came at a price, extracted from the Government on the basis that householders and small business deserved to be quarantined from any downside risks, such as the obvious investment that would be required in the new stand-alone transmission business. The deal was confirmed in Parliament by the Liberal’s senior in the Upper House, Hon George Cash MLC in the following terms:

“Because of the uncertainties surrounding the potential cost pressures inherent in upgrading the network system, I am pleased that the shadow minister for energy, Dan Sullivan, —

I think he was the Deputy Leader of the Opposition at the time —

sought and received a commitment from the Minister for Energy to cap price increases for the non-contestable market for at least four years. That guarantee has been a significant factor in the decision of the Liberal Party to offer its qualified support to the proposals contained in the Bill”.

The CCI then goes on to point out the price cap that obviously caused a problem long term. I quote from page 145 of the book —

... Verve appeared to suffer competitiveness problems going forward—problems exacerbated by the long-standing ceiling on electricity tariffs imposed by government for political reasons since the early 90s, including the four-year price cap set down by the Liberals in 2005 as a condition of supporting reform legislation.

Mr C.J. Barnett: Can I just make the point that there was not a price cap during the 1990s.

Mr B.S. WYATT: No, it is not saying there was a cap.

Mr C.J. Barnett: No, I know you are not saying that, but as this debate gets regurgitated, there seems to be an assumption that the Liberal government of the 1990s had a price cap. We did not.

Mr B.S. WYATT: Just to be clear, the CCI does not say there was a cap in the 1990s; it says that there was a longstanding ceiling on electricity tariffs, as I said, imposed by government for political reasons since the early 1990s, including the four-year price cap set down by the Liberals in 2005. That is when the cap is referred to, from 2005, as a condition of supporting reform legislation.

Mr C.J. Barnett: Yes, that is true.

Mr B.S. WYATT: Interestingly, as I said, I went to the launch of this book, and I said in 2010, which cannot be right. It is much more recent than that, so it must have been about 2011 or 2012 that the book was launched. At page 147, in the concluding chapter around energy reform, under the heading “Policy crossroad”, the book states —

The sign of an answer came in September 2011 when the Premier hinted that the Government was considering re-merging Verve and Synergy ... The announcement Verve and Synergy might re-merge floored the private energy sector. It renewed the spectre of a return to domination of the electricity sector by a ‘gorilla’ government-owned utility and raised the issue of sovereign risk for those private interests who had already invested and others who might have considered doing so in the future.

We now have Some uncertainty created because apparently some of those private interests entered into agreements due to improper conduct, which no doubt the Minister for Energy will deal with in due course. The book goes on to state, at page 147 —

CCI was vehement in its response, describing the Premier’s statement as “a complete U-turn on 15 years of energy reform work” and calling on him to reconsider and to work with business to ensure the development of a competitive energy market in WA. Said chief executive James Pearson:

It is remarkable there has been no consultation with the business community, which is the major customer and biggest private investor for the energy sector, before such a fundamental shift to the way energy utilities are structured.

The chapter on energy reform concludes —

Hence, a new and critical chapter in the struggle for energy reform had begun.

The CCI Story is a very worthwhile read, and I commend it to members because it deals with many aspects of reform around the Western Australian economy. But that concluding chapter is one of the fundamental reasons why the Labor opposition does not support this bill and, indeed, will oppose its passage, and not just because it is wrong to create a new “gorilla”, as it has been described by the CCI, to go back and unwind reform by creating publicly owned monopolies in the energy sector and to threaten private sector investment, not just in the future, but private sector investment that has already been made in the energy market; but also, as the CCI has pointed out, because there has been no consultation. Not one document has been produced to the Parliament to support the arguments made by the minister. There has been nothing in support of cost savings, and nothing that would suggest to the opposition or the people of Western Australia that this will have a downward impact on the price of electricity in Western Australia. There has been nothing other than, “This is what it’s going to do”.

That is simply unacceptable; we do not go about energy reform in this way, and in that regard I refer to the Carnegie review that the CCI went through in its book. The energy sector is a big, important sector in any economy, let alone an energy-intensive economy like Western Australia’s. We do not go about reform in this way. There simply has not been any justification given or financial analysis done and produced publicly in support of this argument. The CCI, whilst it has been quiet around the most recent part of this debate, has made the point: for many, many years it was a very strong advocate for reform of the energy sector in Western Australia. This ring-fencing complexity that has been created —

Mr C.J. Barnett: It’s not complex.

Mr B.S. WYATT: The Premier was not here, but I made the point during —

Mr C.J. Barnett: They were ring-fenced before they were broken up.

Mr B.S. WYATT: I was making the point, Premier—listen!—that the first briefing given to the opposition by Mr Oates and some other staff was all around the detail and the amount of effort that goes into effectively keeping the company separated from itself.

Mr C.J. Barnett: No.

Mr B.S. WYATT: Perhaps the Premier should go and listen to Mr Oates' briefing. That is what the focus of the briefing was on. The government is creating an internally very complicated and bureaucratic process to, effectively, keep a merged entity separate! It is a ludicrous way to go about energy reform; it is not the way to go about energy reform. The fact that we have not yet seen anything from the minister to suggest that this is going to be a good thing for the people of Western Australia, and particularly for energy prices in Western Australia, highlights that point.

I conclude by re-emphasising a point I made earlier: both the CCI and the facts highlight that the Labor Party has always been much more open and comfortable with private sector investment in the energy market in Western Australia than has the Liberal Party. The last 15 years have proved that point, and the CCI confirms it. The creation of another large, publicly owned monopoly in Western Australia is not a positive way forward for energy, competition and the price of electricity in our state.

Mr F.M. LOGAN (Cockburn) [1.03 pm]: My apologies to the member for Victoria Park; I had to whip out and take that phone call. Parliamentary partners ring up at the most inopportune times, sometimes—and I dare not miss the call! Thank you very much for giving me the call, Madam Deputy Speaker, and allowing me to address the essence of the Electricity Corporations Amendment Bill 2013 in the third reading debate.

I would like to go back to some of the comments I made about the reasons for this bill, and what has driven the government to the necessity to re-merge Verve and Synergy. During my contribution to the second reading debate I raised the fact that this bill for the re-merger of Verve and Synergy has come about because of the Premier's stated obsessive opposition to the disaggregation of Western Power by the then Labor government in 2005, and his view that it is far better to have a larger entity with greater financial capacity to achieve a whole series of ends. I put it to Parliament that one of the key ends that the Premier has always taken to heart—not one that I would criticise—is state development. It is a good thing for any Premier to be obsessed with state development and to support it, but Premier Barnett also believes that the use of state resources, such as the generation and delivery of power, is a means to the end of state development.

Mr C.J. Barnett: Absolutely.

Mr F.M. LOGAN: Yes; I knew I was right in going down that path. That is why I said at the time, as a member of the Labor left, that I welcomed his approach; it is in keeping with the Labor left's approach. My colleague the member for Victoria Park does not agree with me on this one, but —

Mr B.S. Wyatt: I just find it interesting that the Labor left and the Premier are so close!

Mr F.M. LOGAN: We are very close, in terms of the use of state resources for further state development, the Premier and I line up very closely!

However, I have to put that in perspective. The Premier and I, and the rest of the Labor left, actually voted for disaggregation in 2005; whether we fully supported it is another matter! No, obviously I did support disaggregation, but the Premier certainly did not.

Mr M. McGowan: But he voted for it.

Mr F.M. LOGAN: Yes, I have already pointed out, Leader of the Opposition, that the Premier voted for it! The reason that I and other members of the Labor left supported the disaggregation of Western Power was that, at the time, it was a better use of resources. It was a better use of scarce financial capital by a state government, rather than spending it all on power stations. Certainly, there was a significant need to increase our power output at the time and all through the term of the last Labor government. However, it was a better use of those scarce government resources to spend them on other forms of infrastructure such as roads, hospitals and schools than on building power stations. Had we concurred with the Premier's view in 2005 we would not have seen the construction of Fiona Stanley Hospital, and we would have struggled to build the railway line to Mandurah. In fact, it would be questionable as to whether that railway line would ever have been built. We probably would not have built Perth Arena, the State Theatre and a whole series of other major infrastructure projects that occurred during the term of the last Labor government, because the money would not have been available for those types of projects.

That was the reason for the unanimity of support on the Labor side for proceeding with disaggregation back in 2005. As I say, the Premier, whilst he might have voted for disaggregation, did not share that view and made that very clear in his speech to the house. If that is and always has been the Premier's view about the use of a larger, near-monopoly power —

Mr C.J. Barnett interjected.

Mr F.M. LOGAN: Yes, but the bill we are dealing with that will create this behemoth in the marketplace, although it may well benefit state development, will also have major implications for the effective, efficient and cheap delivery of electricity to the majority of Western Australians; it will have that impact. The elements of the Electricity Corporations Amendment Bill 2013 were raised during the second reading debate. The first element is the creation of a wholesale energy market. Despite extensive questioning of the minister during consideration in detail, I still cannot get my head around the necessity for the creation of a wholesale energy market over and above what we have at the moment. There is a wholesale market, although it is not a formal wholesale market at the moment; there is a short-term energy market for short-term supplies; and there are bilateral contracts. Until now that has worked relatively well. Although the short-term energy market is quite small, it has gradually grown and I think it needed a little more support—a push along—to expand its capacity and operational visibility. I question the need for a wholesale energy market. When I asked about the necessity for a wholesale energy market, it was made very clear to me by the minister, through advice from the people he had at the table, that the wholesale energy market is needed because of the market dominance of what has been created with the merger of Verve and Synergy. That wholesale market was there to ensure as much of a level playing field as there possibly could be to allow the private sector to sell into that wholesale energy market.

If that is so, there were plenty of other ways of achieving that end without the creation of an energy market; further changes to the vesting contracts could have played a role. The expansion of the STEM, as I said, could have been another option for achieving the very same end as the government is seeking to achieve now. I think, given the market rules that will have to be created around the creation of the wholesale energy market, and the complexity of that wholesale energy market—particularly for a private player working out where to sell their electricity that may not be bilaterally contracted—it will be confusing for players. I question whether we will see a significant increase in the level of trade on that wholesale energy market going into the future. I might be wrong, but I question whether that is going to be effective. If that is the extent the government has to go to to effectively contain the market power of the corporation it has created through this merger, then we have to ask again why it is being done in the first place. Why go through all those complex processes and create other markets simply to contain a monster in the marketplace that has been created by a decision of government? Maybe it was the wrong decision in the first place.

The other issue I want to refer to is how we got to this path in such a relatively short period. Remember that before the election, a clear commitment was given by the Premier that the merger was not going to occur, and then the Verve–Synergy letter emerged after the election and the Premier indicated that the merger would occur. A significant amount of work was done for the disaggregation of Western Power in the lead-up to the 2005 election. As Gareth Parker from *The West Australian* stated in his article entitled “In the dark on power games” on Thursday, 31 October 2013 —

The path to disaggregation was long and complex. The public debate and stakeholder consultations took five years and the degree of published analysis and modelling of the changes was unprecedented. The process was transparent; the outcome was far from perfect.

When dealing with the level of complexity in the market rules of electricity, it is quite easy not to get it right in the first place; they are very, very complex rules. The minister concurred when we discussed that statement. Nevertheless, once that disaggregation was underway, those market rules changed. They were modified, and in the first term of the Barnett government the vesting contract rules were changed and other modifications made to the market rules to improve the relationship between publicly generated and sold electricity and privately generated and sold electricity. That is normal; it happens in every marketplace. That is part of the process of the evolution and creation of an electricity market.

However, with the creation of this new wholesale energy market and the rules around it and changes that are likely to impact particularly on private sector players in the electricity market, the amount of effort, time and consultation that was engaged in in the first round of disaggregation leading up to 2005 has not occurred. In fact, there has been very little, if any, consultation whatsoever with some of the key private electricity generators in the marketplace on their input into those market rules and the model of the wholesale energy market and its impact on their generation. As Mr Parker wrote in the article in *The West Australian*, there was five years’ consultation and public debate; it was a very transparent process. This bill is, effectively, the result of six months’ development for a complete overhaul of the electricity sector in Western Australia, and there has been very, very little, if any, public consultation, and very, very little, if any, consultation with the players in the Western Australian electricity market, particularly the private sector players. That is the difference. It is a difference that has been identified by a political observer from *The West Australian*, and, I might add, every other player and commentator out there in Western Australia who is either in the electricity market or knows anything about the electricity market; they all hold the same views as expressed by Mr Parker in that article, and

also hold the same concerns about the government's direction, and the lack of consultation and involvement of key players to create a new structure that will not have an impact on either the electricity market or the future generation of electricity in Western Australia.

The second issue that forms the body of this bill is the segregation component. The segregation and physical separation, as the minister told us in consideration in detail, of wholesale energy unit from either the retailer or the generator sections of the new gentailer organisation is also a complex change to the nature in which electricity is generated and sold in Western Australia because of the decision to bring the two together. These Chinese walls and the separation and complexity now being introduced in Western Australia by way of this bill is coming about as another means of ensuring that there is no overt or covert market influence by a monster in the marketplace—the new gentailer being created by this bill. Two of the key issues that form the basis of all the changes brought about in this bill are being created and put into law only because of the decision made to join Verve and Synergy. Effectively, they are there as protection measures to the private marketplace because of the massive market dominance of the organisation that the government is creating. That brings us back to questioning the wisdom of taking this approach in the first place.

The third issue goes to the oversight of the new body that is being created. I questioned the minister yesterday on the role of the Economic Regulation Authority in providing advice to government on electricity prices, particularly for the general public. The ERA, as the member knows, comments on a whole series of things in the electricity sector, from transmission tariffs through to wholesale energy prices and franchise tariffs. It has been encouraged to comment on those by way of reference in the existing Electricity Corporations Act 2005. When I asked the minister about whether the Economic Regulation Authority's role will remain the same in the advice that it gives to government about future electricity price increases for the general public, he indicated that it would remain the same and would not change at all. We moved along quite quickly last night towards the end. As I pointed out to my colleague the member for Cannington, we should have picked up that the whole of section 72 in division 2 under "Role of the Economic Regulation Authority" will be deleted from the Electricity Corporations Act 2005. Given the minister's statement that the Economic Regulation Authority's advice and comments will remain as they are, how will that be the case given that the "Advisory function", "Public consultation" function and the "Advice to be published" function under sections 72, 73 and 74 of the act will be deleted? There will be no role for the Economic Regulation Authority. I would like the minister to address that in his response to comments on the third reading debate. There seems to be a complete contradiction between what he told Parliament last night about the role of the Economic Regulation Authority and the bill, which deletes the role of the Economic Regulation Authority.

If those sections are deleted, who will oversee the marketplace? Who will comment on the tariff structures; the generation of electricity through Western Power's powerlines; the effectiveness of the wholesale energy market; or future increases in the franchise tariff rate for households or business? Who will have that oversight power to make those comments given that it appears that under the bill before the house the only role for oversight is given to the Auditor General to ensure consistency in the separation of the roles of the wholesale market and the retail and generation arms of the new gentailer. I might be wrong, but I just cannot see where those changes are. All I can see so far is that there is an oversight role, but that oversight role is for only the Auditor General and is quite specific and relates to the Chinese walls within the new gentailer. There does not seem to be any role for an external body to comment on a series of things within electricity generation, transmission and sales to the general public and business.

I question the necessity for the bill. I do not disagree with the overall philosophical intent of the Premier in using the capacity of the government's infrastructure and resources to supercharge and bring about state development. I think it is a laudable approach and certainly one that, as I said, we on the Labor left support.

Ms R. Saffioti: Keating would have said that the left supported it during the 1970s.

Mr F.M. LOGAN: Even Paul Keating supported it. Keating probably would have said that he had invented it!

Disaggregation has occurred and has worked, despite some of the criticisms made, particularly about the flow-on effect of the cost of expanding the electricity network, which was one of the big flow-through costs that hit Verve. Massively expanding the electricity network combined with the holding down of household tariffs and tariffs generally through the 1990s and again through the 2000–2010 period for such a long time was always going to lead to a financial impact on someone in the electricity market. The entity at the end of the line in the electricity market was Verve because it was standing there as the basis of generation in Western Australia and the last entity standing in the electricity market. It copped all the costs associated with those two components—the financial impact of the expansion of the transmission system and the holding down of electricity prices. That is a criticism which I think is fair to be levelled at anybody who has created the disaggregation process.

However, at the end of the day, to defend the Labor government's decision to do that, what else could we do? There was a requirement for us to hold down prices between 2005 and 2010 because that was what was sought.

Mr C.J. Barnett: Who was running the state—the opposition of the day?

Mr F.M. LOGAN: It does not matter, Premier. As the Premier knows, Labor did not control the upper house. We would not have got that legislation through. It was a political game played by a former leader of the Liberal Party, whatever the Premier thinks about him, and the impact was catastrophic, because it did not allow the government of the day to begin the process of increasing electricity tariffs.

Mr C.J. Barnett: So you should never have agreed to it.

Mr F.M. LOGAN: We had no choice. I believe the Premier would have done the same thing.

If the Premier had supported disaggregation, which of course he did not, and Labor had controlled the upper house, he probably would have done the same deal. The impact of it was catastrophic. It created that flow-on effect that did not make Verve whole. There are other aspects of not making Verve whole, including huge increases in fuel costs over that period, labour increases and maintenance and general cost increases. All of these issues led to the need for a significant increase in tariffs from 2010, when it was available for a government to do that. That does not mean to say that the whole process of disaggregation was wrong. Just because the political decisions and the decisions that were external to the control of government occurred and had an impact on Verve, it does not necessarily mean that the whole disaggregation process was wrong and that the creation of the market structure that subsequently emerged was bad. The only two people in Western Australia who are saying that are the current Minister for Energy and the Premier. Everybody else agrees that it was a good decision. It had problems, but those problems could have been fixed. What the Labor government did was a necessary and good decision and a good use of public resources. It is not good public policy to change that simply because the Premier has a philosophical obsession with using electricity and the market power of a publicly owned electricity generator to push state development. It is not good public policy to throw out the market structure that is currently in place and replace it with one which is more confusing and more complex and which even the minister himself does not know anything about—when questioned in detail about it, the minister had no idea how it will work and had to rely continually on advice from the people with him at the table. It should not be supported. I believe that the minister will rue the day that he has been in the unfortunate position as Minister for Energy of introducing this bill to the house. He will rue the day he introduced this structure to the electricity market, because it will have an impact, particularly on private sector investment. It will then necessarily have a flow-through effect on electricity prices. I asked the minister what pressure there will be to keep prices down. The minister gave a series of examples of what he thinks will occur. I do not think he is right. I think electricity prices will increase and it will all be because of the minister and others in the Liberal Party not standing up to the Premier's whims.

MR C.J. TALLENTIRE (Gosnells) [1.33 pm]: I rise to speak to the third reading of the Electricity Corporations Amendment Bill 2013. I note the usefulness of the discussion we had in the consideration in detail process. A lot has been revealed. The thing that strikes me most is the spectrum of views on this issue. At one end of the spectrum people are advocating strongly for a nationalised electricity system, while at the other end of the spectrum people are arguing for a completely privatised electricity system. It is interesting to consider where we currently are, where we have been, where we were under the Gallop and Carpenter governments, how the electricity reforms moved us on the spectrum and how the Barnett government, through the current minister, is repositioning us on that spectrum. When considering that, it struck me that a lot of the positioning on this spectrum between nationalised and privatised electricity systems depends on the stage of development of the electricity system, the various technologies that are being deployed and the types of technologies that are being nurtured and brought into play.

We can look at some situations around the world and the history of electricity systems. One of the most intensive phases of investment in an electricity system was done under a nationalised government. I am thinking of the government of France in the 1950s and 1960s when a conscious decision was made to bring nuclear energy onstream, along with an extensive hydro program and a tidal project. We can see that, with that level of investment at that time, the nationalised model worked. It was the only government that would have done it. Given the situation of nuclear power plants now, it is still the case that there would only ever be a nationalised-type arrangement. The private sector would never want to build a nuclear power plant in a western democracy. It would only ever be heavily subsidised or underwritten by a national government. That was the situation in which France found itself in the 1950s and 1960s. That was the time when we heard such expressions as nuclear being “too cheap to meter”. When there is that level of investment, a nationalised arrangement is probably the way to go. To put that in an Australian context, in more recent times—I have acknowledged the Premier's contribution in this area—the first major grid-connected wind farm in Western Australia was developed under the old Western Power. I think the planning for that work began in the mid-1990s and the wind farm was completed in

around 2001. At the time it took \$30 million of investment to create some 12 wind turbines to produce about 21 megawatts of electricity, if my memory serves me. That project was cutting edge at the time. It required an enormous amount of community consultation. There was a lot of angst in the Albany community about the impact of the wind farm; there were various appeals through the planning process and people wondered how that technology would fit in. In the end, it gave us a good outcome.

The point I am making is that there is an issue of timing. If the electricity system is rolling out a lot of very new technologies, it probably makes sense to position the whole electricity system towards the nationalised end of the spectrum. That is not the situation we are in now. The fact is that currently a lot of technologies are perfectly viable; they just have to be given the right market circumstances. Private business is one of the main drivers of the sorts of new technologies that I certainly support—renewable energy technologies that should be given ready access to our grid system. That is why I think the disaggregated model of the Gallop and Carpenter governments put us at the right place on the spectrum. It did not put us right towards the privatised side of things, but it did not go down the nationalised route, because we recognised that, with the behemoth of Western Power, there would be a suppression of the commercial capacity for privately owned generators to get grid connections and to sell electricity into a market in which they would have equal status with other organisations. This government is seeking to move us towards the nationalised end of the spectrum, to move us from the previous situation of disaggregation with the various elements of Verve and Horizon Power for the south west interconnected system areas and to move us away from the Western Power network and transmission lines and the retailing Synergy. By combining the retailer and the generator, this government is moving us closer to what could be described as a nationalised system.

There is another dimension to this issue of where we are placing ourselves on the spectrum. That dimension is whether we believe that our electricity system should be subsidised. Private users and householders need electricity. It is an essential service that people depend upon. Therefore, there is some justification for a degree of subsidisation for people who need electricity. However, there is also the view that an electricity system should be based wholly and solely around the profit motive; that is, every activity should be based on the ability of electricity providers to make a substantial profit.

So I put it to the house that we have not just a spectrum but an X and Y axis, and we can plot where we are situated on that axis. I think it is fair to say that, strangely, the Liberal–National Party is putting us on the X axis—that is, at the nationalised end—but at the same time it wants to create a situation in which profit can be made. That leads me to only one conclusion. That is that we are looking at a situation in which the combined generator–retailer operations will be so dominant, so powerful and so profitable that there will inevitably be a privatisation. Therefore, we could find ourselves switching from this nationalised situation to a sudden sell-off of the new Synergy. That is a real fear that I have.

The problem is that the government is not being entirely clear about where it stands on this matter. If the government does want to move us closer to a nationalised model, is that for the purpose of creating a super-sized new Synergy that will be highly profitable and can eventually be sold off? All sorts of issues arise from that. That is why I have put it to the house that the previous disaggregated model was at the right place. It was the Goldilocks model. Under that model, things were nicely split up. There was no domination by one organisation. Most importantly, it enabled the smaller generators to gain access to the grid. There were definitely cases in which smaller generators were not given easy access to the grid. We should focus on ensuring that smaller generators do have access to the grid. However, to change it around so that in the future we will have this giant behemoth, Synergy, will make it very difficult for smaller generators to compete.

That brings me to the issue of ring-fencing. Ring-fencing has been incorporated into this legislation in an attempt to protect against the potential corruptive forces that could arise if there were to be collusion between the generator and the retailer. There is a lot of confusion and ambiguity about the ring-fencing, and some of these issues were raised during consideration in detail. Prior to the introduction of this legislation, we had the best form of ring-fencing, because the organisations were set up as separate units. That to me is the ideal form of ring-fencing.

I must say that the comments that were made about the lack of—for want of a better term—third-party endorsement of the proposed model were particularly telling. The fact that the Chamber of Commerce and Industry of Western Australia has not come out with any form of ringing endorsement for this model tells us something. It is interesting to look at the work of Professor Hugh Outhred from the University of New South Wales. Professor Outhred is a recognised expert in the area of electricity industry organisation and regulation. Some of his research interests are the implementation of, and limits to, electricity industry competition; the interface between economics, engineering, social issues and the environment; techniques for decision making under various conditions of uncertainty; and multidimensional decision making. We need to bring in experts like Professor Outhred to give us some guidance on this issue. I have not heard any reference to academics such as Professor Outhred, who are specialists in this field, telling us that this proposed system is the optimum one. I do

not see how this model will improve the system from a social perspective and ensure that we have cheaper electricity.

One of the arguments that has been presented by the Chamber of Commerce and Industry is that we will need to get electricity prices up a bit higher, and then there will be more competition and prices will come down. I do not understand the logic of that. When I hear the Chamber of Commerce and Industry describe that situation, I find it very difficult to comprehend. I think that is a position that the government endorses as well. The yoyo idea of this does not make sense to me. Under our current disaggregated model, mechanisms are in place, such as the tariff equalisation contribution, that help to harmonise electricity prices across the state. That means that people who live in rural and remote parts of the state pay the same rate per kilowatt hour of electricity as I pay in my electorate of Thornlie. That makes perfect sense to me. We need to accept that there will be a degree of cross-subsidisation. There is a social reason for that, and that is to be applauded. But it seems highly unlikely to me that by creating a giant new organisation—the new Synergy—that will produce and sell electricity, and that will swamp any other company that might be trying to sell electricity into the grid, we will be able to create a competitive market.

There has been much discussion about the design of this wholesale energy market and about how the trading system will work. That also raises some concerns for me. We all saw from afar the situation in the United States with Enron and the trading of electricity units by that company. We need to establish an absolutely transparent system that will not allow that kind of thing to take place. If there is any opaqueness or unnecessary complexity in the system, there is every possibility that those who are motivated simply by the idea of gaining a profit through electricity trading will come into the system. That may lead to some useful outcomes. However, that will be only after they have taken their cut and made their profit. It will not necessarily deliver the best possible price for electricity consumers, nor will it develop a supply of electricity that is cleaner. That is also a major concern. Although there may be some scope for private generators to produce electricity from wind farms, wave energy and solar photovoltaic systems, and eventually from geothermal and solar thermal systems—those very exciting and interesting technologies that could be coming onto our grid—we need to ensure that they are given easy access to the grid and are not hampered in any way and squashed out by the behemoth Synergy organisation that we are about to create. That would be a shame. In fact, it would be an outrage for those who care about clean and cheap electricity because it would push clean producers of electricity out of the market. We should be allowing the spirit of entrepreneurialism. There are good companies in this field, such as Carnegie Wave Energy Limited with its wave energy proposal. There is great potential in those proposals and we should be fostering those systems.

We also discussed extending transmission lines, the networks, and enabling the new Synergy to operate in remote areas without being connected to the south west interconnected system. During consideration in detail I expressed my concern that if we were to allow the establishment of substantial plant or kit off-grid, that could be counterproductive to the development of major renewable energy proposals. I am thinking especially of the need to upgrade the transmission lines between Perth and Geraldton and then on to Kalbarri, where there are optimal sites for wind generation. We need to make sure that any wind farms that are eventually built between Perth and Geraldton, in the midwest region, are given ready access to a transmission line that has the necessary kilovolt amperes to receive and generate electricity. I note that major considerations in establishing the Collgar wind farm near Merredin were not only the wind mapping studies, which showed that a good wind resource was available, but also that the farm was well located to connect to the grid. The location of renewable energy generation should not be limited by its proximity to the grid; the grid should be expanded so that it goes out to those new generation sites. It is fortunate for Collgar that it is so located, but proximity to an existing grid should not be a constraint when renewable generation systems are being considered, because the grid may not continue to be expanded at the rate at which it has been because it will be up against a Synergy behemoth that will find other ways of operating beyond the limits of the grid system. That is a further concern for me.

I am also concerned about the nature of the wholesale market. During the second reading debate I said that I would prefer a system that allows the utmost transparency of spot-market rates so that we know the real cost of electricity on a hot summer's afternoon when there is peak demand and when a large amount of electricity is produced by photovoltaic panels on household roofs. If a true spot market existed in the south west interconnected system and a person were to buy electricity at 3.00 pm on a hot March weekday afternoon, it should cost about 60 cents a kilowatt hour. That would be the cost of competing against stand-by generation, which simply sits around for those moments when electricity demand gets up to 3 700 megawatts or thereabouts. It would be only reasonable for people who have gone to the expense of investing in PV panels to be paid about 60 cents a kilowatt hour, if that is the cost for others to generate that amount. It seems unreasonable that the most someone would be paid at the moment is 40 cents a kilowatt hour. Some energy equity issues should be examined.

We need to reassess where we place the grid system in a spectrum that ranges from a nationalised system at one end and a free market, totally privatised system at the other end. We have moved towards the nationalised end of the spectrum, but it appears that the intention is to create a corporatised entity—the new Synergy—which will be very profitable but which will be ready for a sell-off. I now turn to a book by Sharon Beder, *Power play: the fight for control of the world's electricity*. She looked all around the world at various examples of privatisation and points out that the failure of privatisation to deliver on its promises has not been fully exposed, and that electricity liberalisation remains a continuing confidence trick in that the benefits are always on the horizon. That seems to be the situation. We are always told to not worry; to just let prices go up a bit more and eventually prices will come down. That is the confidence trick going on here and that is the unfairness in what is being proposed. It is a confidence trick on the public, but the public is not taken in by it and it has wised up.

When I send out community survey forms asking people for their opinions on matters such as the privatisation of electricity systems, people are resoundingly opposed to it. Those survey forms contain an optional question asking whether the respondents vote for the Liberal Party, the Labor Party or the Greens. Often people answer that optional question and it is remarkable how often Liberal voters say that they are opposed to privatisation. If the attempt here is to create the behemoth Synergy and to use the Electricity Corporations Amendment Bill to establish an organisation that is so big and profitable that it can eventually be sold off and privatised, that is a grave fear and something that people will not swallow. They are immediately aware of what is going on. As I say, it is apparent from my community survey work that people do not want a privatised electricity system dominated by one player. Conversely, people are supportive of smaller generators; smaller companies that are specialists in their field. A company like Perth Energy runs very reliable gas turbine systems that are able to generate electricity through peak-in plant when peak-in plant is required to come on, and that work in harmony with renewable energy systems such as wind power. These are the sorts of systems that should be facilitated and assisted by the design of our electricity system.

We should have an electricity system that enables major proposed and existing wind farms to operate effectively when there is occasional variability—I do mean “occasional”, because it is often overstated how much renewable energy is an intermittent power source. The lived experience shows that the grid system that extends from Kalbarri to Albany to Kalgoorlie has provided many options to tap into different renewable energy sources, and that when one supply is not working or is not at optimum, another one is. The typical scenario, for example, is when the Albany wind farm is working. Perhaps the Collgar wind farm in Merredin might be a bit below its capacity, but when it cranks up, another one comes online. Likewise, when various wind and wave energy sources are in place, there will be a great balancing out.

Debate interrupted, pursuant to standing orders.

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