

ELECTRICITY INDUSTRY AMENDMENT (DISTRIBUTED ENERGY RESOURCES) BILL 2023

Committee

Resumed from an earlier stage of the sitting. The Deputy Chair of Committees (Hon Stephen Pratt) in the chair; Hon Darren West (Parliamentary Secretary) in charge of the bill.

Clause 4: Section 3 amended —

Committee was interrupted after the clause had been partly considered.

Hon NEIL THOMSON: I raised a question and I wonder whether there would be an opportunity for the parliamentary secretary to respond. The question I raised before question time was seeking further clarification on the scope of the new connected facilities and the types of facilities they might encompass. It is for the benefit of my constituents, the members of this house assembled and for those watching for us to understand what these new connected facilities might be.

Hon DARREN WEST: Examples of connected facilities could include rooftop solar, behind-the-meter battery storage and chargers for electric vehicles.

Clause put and passed.

Clause 5: Section 3A inserted —

Hon Dr STEVE THOMAS: Most of my speech during the second reading debate was on this clause. I do not think we will be on this clause for a long time necessarily. The state electricity objective is a new thing that will be introduced by the legislation. Obviously, the objective just sits there as an idea. That might be the first question. How binding will the objective be and how will we measure how binding that is? Will there be penalties or reporting required when those aims and goals are not met?

Hon DARREN WEST: The minister, the Coordinator of Energy and the Economic Regulation Authority must all consider the state electricity objective when their making decisions.

Hon Dr STEVE THOMAS: I get that in principle. It is a bit like the precautionary principle in the Environmental Protection Act; in principle, it exists. How will it be measured in practice? Will a measure come back that is used to work out whether it has been successful; and, if so, what is that measure? How will it be picked up and where will it be reported?

Hon DARREN WEST: The characters involved will have to explain their reasoning for the decision, and then they will undertake a review as to the statutory obligations of the objective.

Hon Dr STEVE THOMAS: Will those reviews be public or parliamentary? Who will look at them?

Hon DARREN WEST: They will be public, member.

Hon Dr STEVE THOMAS: Proposed section 3A(1)(c) is probably the crux of this provision, introducing the environment including greenhouse gas emissions. We will not be too long on this, but what other parts of the environment might be assessed under this provision?

Hon DARREN WEST: Member, they could include conservation values, ecology and land use.

Hon Dr STEVE THOMAS: That is pretty broad, and I accept that it is a mission statement more than an outcome, and all the outcomes will come from the regulations that will sit under the bill. Can the parliamentary secretary give us an idea of the intent of the phrase “including reducing greenhouse gas emissions”? How prescriptive will that be? Presumably, there will be a regulation that sits under that provision. What will that regulation look like, and what prescriptive components will the government add to that, or will that be captured under the Climate Change Bill 2023?

Hon DARREN WEST: Member, that will not be prescriptive, but it will be a factor that decision-makers will need to keep in mind, and there will be others no doubt.

Hon Dr STEVE THOMAS: Will a prescriptive component of the Climate Change Bill potentially be applied to this? If we potentially have a conflict whereby the Climate Change Bill says X, somebody might come along and argue that the government is not doing this in relation to that. Therefore, which bill predominates in terms of government policy?

Hon DARREN WEST: We are drifting outside the scope of the bill we are debating today. We are unable to predispose decisions of the future.

Clause put and passed.

Clauses 6 to 9 put and passed.

Clause 10: Section 105 amended —

Hon Dr STEVE THOMAS: I am interested in why there is a need for a change to this section. The clause seeks to delete in section 105(1)(cb) “works; and” and insert “works, including stand-alone power systems or storage works that do not form part of a covered network”. I am interested in why this line needs to be inserted into this paragraph.

Hon DARREN WEST: This is for standalone systems outside covered networks. It will allow Horizon Power to install standalone power systems.

Hon Dr STEVE THOMAS: Will that include, for example, the standalone units that have been installed down Esperance way? Horizon is putting in a single wind turbine, solar panels, a battery and a backup diesel unit. Is it that, or is the parliamentary secretary talking about larger component standalone units? Are we talking about the big standalone units?

Hon DARREN WEST: We are talking about small units for up to five customers.

Hon Dr STEVE THOMAS: Is that down to the individual producer level?

Hon DARREN WEST: Yes, that is correct—up to five customers.

Hon Dr BRAD PETTITT: Just to clarify that, will this enable the regulation of an individual house that might have a standalone system that is off-grid?

Hon DARREN WEST: This is about standalone power systems that have been installed by Western Power or Horizon Power. We need to include Horizon Power.

Hon Dr BRAD PETTITT: Thank you for that clarification. Maybe I can explain the context of the question first. As we see solar and battery prices come down, some households may want to disconnect from the network because it would be in their interests to do so. Will there be implications for them from this bill, and this clause especially?

Hon DARREN WEST: I think it is important to distinguish that with the standalone systems installed and owned by Western Power whereby the customer is charged for the power, yes, there will be. But if someone installs a system on their own house and they go completely off-grid, no.

Clause put and passed.

Clauses 11 to 15 put and passed.

Clause 16: Section 120K amended —

Hon Dr STEVE THOMAS: Clause 16 will amend section 120K(3) by inserting new paragraph (c), which states —
the regulation of the powers of the Regional Power Corporation to provide stand-alone power systems or storage works, including stand-alone power systems or storage works that do not form part of a covered Pilbara network.

We have just dealt with clause 10, which seeks to insert a general capacity provision to cover those networks. What is the reason that the government is also putting it in section 120K? Are they just different aspects of the same oversight and regulation?

Hon DARREN WEST: They are complementary and about the same issue.

Clause put and passed.

Clauses 17 to 25 put and passed.

Clause 26: Part 9 Divisions 3 to 7 inserted —

Hon Dr STEVE THOMAS: Clause 26 is a long clause and contains lots of insertions in various parts. Most of it is probably as critical as other parts of the bill. Many of the other provisions are administrative, but I have a few questions about proposed section 124E, which reads —

The electricity system and market rules may provide for any of the following in relation to distribution systems (including embedded networks) or connected facilities —

Let us start with the basics. I want to ask some questions about embedded networks, particularly those operating in supermarkets and shopping centres et cetera. There is potentially one large purchaser of electricity, which then sells that electricity down in subsets. A private consumer sets the price for those underneath them, which in some circumstances works well and sometimes does not. As I understand it, the legislation will allow energy providers to break through directly to embedded networks. In some cases, centre tenants will potentially be paying less if they get bills directly from Synergy, for example, as opposed to from the shopping centre owner. I do not imagine that shopping centre owners will be particularly pleased with that. Is that the intent? I nearly raised this back in

consideration of clause 4, which I know has passed. Embedded network means that to which I have referred. I think it is probably clearest in the explanatory memorandum in 4.1.2, which states —

Embedded network is defined by this section and refers to distribution systems that are supplied by another distribution system (including, but not limited to, the electrical configuration of many shopping centres and apartment buildings).

That is what I think we are dealing with. I suspect the parliamentary secretary will confirm that. That being the case, I understand that the government has given some previous commitments on this matter. It is potentially playing catch-up. Ministers have previously said that they would look at this. Is this the catch-up for those groups?

Hon DARREN WEST: The member is correct in his definition of an embedded network. This bill is about the technical regulations; the other bill we will bring in later is about competition and sales.

Hon Dr STEVE THOMAS: Thank you for that. What is the intent of clause 26? What will the regulations for embedded networks deliver in this bill versus what will be delivered in the other bill?

Hon DARREN WEST: It will regulate all distribution systems, including embedded networks and Western Power.

Hon Dr STEVE THOMAS: Proposed section 124F, “Technical and other standards”, is two pages over. The market rules, in effect, may provide for technical standards to be applied for the supply of electricity. There are technical standards currently. Will that change from the technical standards, or will it simply adopt what already exists?

Hon DARREN WEST: These will be reviewed when they come over from Western Power’s technical networks to the electricity system and market rules.

Hon Dr STEVE THOMAS: I refer to one page over again. I am trying to get through this fairly quickly. This is proposed division 5, which will potentially make marketing rules for metering and data. Right now, metering is going in place. Are there any projected changes from the metering rules that currently exist, particularly the technical proficiency of the meters? Are we talking about an upgrade here, or is it simply legislation that is being updated and, ultimately, something else will need to be done about the meters that are installed?

Hon DARREN WEST: An existing instrument would be reviewed and brought in to the ESMR.

Hon Dr STEVE THOMAS: Proposed division 6 on the next page relates to enforcement. Proposed section 124J(1) on page 26 states —

The regulations may provide for the enforcement of the electricity system and market rules.

It then goes through some proposed subsections. Proposed subsection (2)(b) states —

... a person who contravenes the provision —

- (i) an amount not exceeding \$100 000;

And proposed paragraph (ii) states, “a daily amount not exceeding \$20 000”. Are those new penalties? Have they been set or are they part of the existing penalty system?

Hon DARREN WEST: They are civil penalties and they are part of the existing penalty system.

Hon Dr STEVE THOMAS: The numbers have not changed; we are just shifting them into the new act.

Hon DARREN WEST: The member is correct.

Clause put and passed.

Clauses 27 to 37 put and passed.

Clause 38: Part 11 inserted —

Hon Dr STEVE THOMAS: There are a few interesting issues in this clause. In particular, on page 40 of the bill is proposed section 139, which relates to the powers of the minister. It states, “The Minister may amend a relevant instrument to facilitate”—basically anything. The minister may amend the code, the electricity system and the market rules. I am interested in the process and the transparency of the minister making those amendments. The minister goes in and has a set of regulations developed. When the minister amends the regulations, will the amendments be tabled in Parliament, will they be disallowable instruments or will they be simply a part of the policy of the government of the day?

Hon DARREN WEST: The amendments will not be disallowable. They will reflect the government’s policy of the day. However, they will be widely consulted on.

Hon Dr STEVE THOMAS: If I channel my inner Hon Dr Brad Pettitt, can the parliamentary secretary give us a definition?

Hon Darren West: You do a good job.

Hon Dr STEVE THOMAS: I have channelled a few people just today. When the parliamentary secretary says consulted widely —

Hon Darren West interjected.

Hon Dr STEVE THOMAS: That is dangerous. I do not know who should be more insulted there, but we will leave that to the general debate.

Will there be a formal process for that consultation? If so, what will that formal process be?

Hon DARREN WEST: That will be the same process we would use for new market rules in the energy transformation strategy.

Hon Dr STEVE THOMAS: I think that is my last clause of interest. We obviously want to see a fair bit of openness and transparency as part of that process. Basically, I am looking for reinforcement that the government intends to be relatively open and transparent. I suspect the government might get question marks about that process to date, bearing in mind that this will be stretched out over a longer period. The government will probably have more capacity to do that, so I would be looking for that. Before I sit down, maybe the parliamentary secretary could give some reassurance—I think this is my last bit—that there will be open and transparent consultation around the ministerial control. I would be interested to see Parliament having some form of oversight over that. I am done.

Hon DARREN WEST: Yes. Given the nature of the process, there would be widespread public consultation and these are transitional powers only.

Clause put and passed.

Clauses 39 to 83 put and passed.

Title put and passed.

Report

Bill reported, without amendment, and the report adopted.

Third Reading

HON DARREN WEST (Agricultural — Parliamentary Secretary) [5.34 pm]: I move —

That the bill be now read a third time.

HON DR STEVE THOMAS (South West) [5.34 pm]: I will not take too long. The Electricity Industry Amendment (Distributed Energy Resources) Bill 2023 is a fairly good piece of legislation, for the most part. I am concerned that some untoward impacts might develop if the regulations are loose. It is very hard to judge a bill when it empowers the production of regulations sometime down the track. I note that has been a consistent theme of this government, and I suspect that if the opposition were in government, it would probably have done something similar. This legislation is absolutely essential. I have not had a chance to interact much with the current Minister for Energy, but the former Minister for Energy and I had long discussions around the need to provide alternative mechanisms for energy distribution. We talked a bit of about energy generation and particularly energy distribution. In the not too distant future, microgrids, and particularly edge-of-grid microgrids, will come into play. The one in Kalbarri was somewhat of an experiment. There are other great opportunities out there in Albany, for example, which might eventually become an edge-of-grid microgrid. I think it is critically important for people, individuals and businesses to get involved in that.

Obviously, we want to see how this develops. It will be a bit of a suck-it-and-see process. The opposition will approach the next bill, which I presume the parliamentary secretary will introduce in the not too distant future, in the same way that it has approached this bill and the Electricity Industry Amendment (Alternative Electricity Services) Bill 2023. Both of those bills work together. Although they address slightly different components of the system, they work in conjunction. I accept that the intention of the government is to try to deliver an electricity system that can cope with what is coming. I refer in particular to the high levels of renewable energy and, as Hon Dr Brad Pettitt said, the people who want to get off the grid completely. The system will need to cope with microgrids within the grid, which is an exciting development. The opposition accepts that this legislation is necessary. Obviously, I raised the concern that without seeing the regulations that derive from the bill, we are taking the government on trust. We have asked the government to put a few statements in place. It might be hard to hold the government to account for them, but at least we have gone through that process. The risks will not come through the legislation, but in the potential subsidiary legislation. We will watch that fairly carefully. Otherwise, we agree with the concept of the bill. I think all members do, irrespective of their position on various pieces of generation et cetera. I think we all support a new lower carbon future and taking action on climate change. We all accept that we need this sort of legislation to make that happen. With that, the opposition also commends the bill to the house.

Question put and passed.

Bill read a third time and passed.