

ELECTRICITY INDUSTRY AMENDMENT (ALTERNATIVE ELECTRICITY SERVICES) BILL 2023

Second Reading

Resumed from 16 November 2023.

HON DR STEVE THOMAS (South West) [5.56 pm]: We do not have a lot of time before we take a break. I will make a few introductory remarks before we suspend the debate.

The opposition will be supporting the bill before the house tonight. It is an interesting bill in that it is effectively a piece of enabling legislation. I feel a bit like I am in *Yes, Minister*, as I am not infrequently. This bill will potentially enable things that are not yet invented to be engaged in a system that is not completely under control, some of which we do not understand yet.

Hon Pierre Yang: Are you Sir Humphrey?

Hon Dr STEVE THOMAS: I am not sure where I sit. There is not really a good character to be had, unfortunately. None of them, Jim Hacker, Sir Humphrey or Bernard—they all had foibles. It was a great series and a good way to see how government operates. It is a little bit like that at the moment.

This bill will enable the government to write legislation for operating electricity systems that may or may not exist at this point in time but may exist in the future. If we are talking about taking a piece of legislation on trust, this is one of those. The opposition is supporting the bill because it is fairly impossible to say exactly what energy systems will look like 10, 20 or 30 years from now. We probably have a fair idea what they will look like over the next five years. Fairly obviously, with the current government in charge, it will look fairly black intermittently over the next few years. I am looking forward to a few good interjections after the dinner break. Obviously the government will completely lack the capacity to control a number of issues. But for no other output, the government will not keep the lights on and the air conditioners running under its current model of transition. It will not be able to deliver a transition that will provide the level of security and certainty that is required. Sometime in the future, it may well be able to. Several governments will come and go in that intervening period.

The good thing is that the bill before the house will allow the government to at least try to put some things in place that might mitigate some of the risks that its overarching energy policy will inflict upon the community of Western Australia. For that reason, it is a nice piece of legislation because it might help individuals, communities and the private sector, for example, pick up the pieces that the government will drop over the coming years. It is well worth allowing that process to occur. In fact, it might be described—I am sure we will get to it in a bit—as a bit more privatisation of the electricity system, which is a road I think the government is very good at going down whilst pretending it is not, and perhaps including in some cases of privatisation of the distribution system, which is the one bit that it seems to be highly ideologically opposed to. We will look at those potential possibilities.

Sitting suspended from 6.00 to 7.00 pm

Hon Dr STEVE THOMAS: In that brief period before we were interrupted by the dinner break, we had some revelations around Australian rules football, which, for some of us, is not the real football but is near enough to the state of Western Australia that we can progress.

We were talking about the privatisation process of energy. We will get to Labor's privatisation process of energy in a little bit. A little bit of a history lesson might be appreciated about how energy has been delivered in the state of Western Australia. It was in the late 1800s that the first electricity was generated in Western Australia. It was generated by the Perth Gas Company, would members believe. The history of gas generation in Western Australia goes back 120-something years. It was a very long time ago. Of course, the Perth Gas Company, as intimated by its name, was, at that point, a private company.

Hon Matthew Swinbourn: Was it Gas and Coke?

Hon Dr STEVE THOMAS: Perth?

Hon Matthew Swinbourn: Gas and Coke.

Hon Dr STEVE THOMAS: Perth Gas and Co? Yes. At that point, it was a private company delivering street lighting for Western Australia. That was the first electricity generation in Australia. It was a private company providing electricity for street lighting.

Sorry, did the member say he remembers that in 1894?

Hon Darren West: Well, I thought the first particular instance of streetlights was in Katanning. But I stand corrected on that.

Hon Dr STEVE THOMAS: Okay. I am not sure when it first came into Katanning, but in Perth, it was in 1894. I thought the member was about to say he remembered the day. Anyway, before we get back into dinosaurs, we will move on!

The Perth Gas Company was taken over by the City of Perth. It was nationalised. I might have the date here—it was purchased by the City of Perth in 1912. Effectively, it was at a state level. In 1943, the State Electricity Commission of Western Australia was formed. Interestingly, the first coal-fired power station was built in Collie before that. From memory, I think it was in 1931, by the Collie Power Company. Again, that company was a private enterprise. Perth Gas Company was a private enterprise getting electricity going. The Collie Power Company was also a private enterprise getting energy delivered to Western Australia.

I know the Labor Party is very bullish about its history around the coalfields and electricity generation. We know it has a nationalisation agenda for energy. I will come back to that in a minute. Of the more recent power station constructions—I know the Labor Party hates this with a passion—Muja A was built under a Court government. It was built under Sir Charles Court. The most recent coal-fired power station built in Collie, the Collie A station, was built under the Richard Court government.

Hon Pierre Yang: I have a genuine question. The member said that those two electricity, or power, companies got taken over by the City of Perth and —

Hon Dr STEVE THOMAS: Only the one was taken over, and it was bought out. The City of Perth paid for it, so it was bought out.

Hon Pierre Yang: I wonder what was the reason for that?

Hon Dr STEVE THOMAS: It is because it was effectively in its initial stages. It was the Perth Gas Company, and it was providing the lighting for the City of Perth. That was its initial role. The City of Perth decided that the City of Perth should be providing those services.

Hon Pierre Yang: Thank you.

Hon Dr STEVE THOMAS: The member is very welcome. They were coal-fired power stations built by Liberal governments. The Liberal Party has very much supported electricity generation. Interestingly, members might not realise this, but the Labor Party was intimately involved in private coal generation in the Bluewaters power station because it was built under the auspices and set up through the Gallop and Carpenter Labor governments of 2001–08. It is interesting to me because I know the Labor Party likes to tell the story that it is adamantly opposed to private ownership in the power industry. Of the recent power stations, it was the Liberal Party that built government-owned power stations. The Labor Party made it possible for private power stations to be built. Bluewaters I and II were built because the Gallop Labor government, when Hon Alan Carpenter was the Minister for Energy, signed a long-term contract with Premier Coal to provide coal at a price under the cost of production. Just remember that when we get a bit further on down the story of this because signing a contract for coal under the price of production is actually part of the problem the state Labor government has at the moment. The Labor Party has a history in this.

Prior to that contract being signed, both Premier Coal and Griffin Coal provided coal to Synergy, which at that stage was Western Power, at about \$66 a tonne. This was confirmed by the then Minister for Energy Alan Carpenter, who quite proudly answered a question in the other house—the house that shall not be shamed—and said, “We got the price down from \$66 a tonne to \$33 a tonne; aren’t we jolly good fellows.” Of course, funnily enough, it was under the cost of production. The Labor Party has had a nightmare on its hands ever since, which has resulted in it putting a quarter of a billion dollars into Griffin Coal, because it is going bust and because the government’s only solution, as it has given to me in numerous answers to questions over the last couple of years, is that it expects a commercial price to be paid for coal. Then the government said, “Holy mackerel! A commercial price for coal means that the price of electricity has to go up, and we do not want to do that, particularly as we are going into an election year. We would rather spend \$260 million—a quarter of a billion dollars—in subsidising a foreign-owned and insolvent company than put the price up to a point where it might actually get a return”.

The history of this is quite interesting. Look at Bluewaters. Bluewaters power station was built because Alan Carpenter, as the Minister for Energy, signed that contract giving 100 per cent of the coal supply to Premier Coal over Griffin Coal at half the price of the previous contracts. Suddenly, Griffin Coal had no market for its coal, so it needed to go out and do something. The owner at the time, Ric Stowe, built Bluewaters I, which had a contract with the Boddington goldmine, and then he built Bluewaters II. The Gallop and Carpenter governments made some interesting concessions to get the Bluewaters power station up and going; for example, they threw out the monitoring of sulphur dioxide because it was a second-hand power station and it could not meet the standard required for sulphur dioxide emissions. I know that because I was the shadow Minister for Environment at the time. In something like only a nine-day period, John Bowler—I am not sure what he was the minister for; mine was local government—when he was the acting Minister for Environment, ticked off that approval to allow those power stations to go with sulphur dioxide removed from the assessment—not reduced, but completely removed from the assessment. That is an interesting part of this history. The Labor Party would tell us that it is anti-privatisation, but it enabled a private power station to be built to take coal out of Griffin Coal. It not only enabled that power station to be built, but also removed some of the environmental constraints that would have normally applied to any power station built in this state. That is some of the history of energy supply in Western Australia that we are dealing with.

Historically, the Labor Party does not seem to have a huge objection to a privatisation agenda. When it privatised, for example, several wind farms—the Albany, Greenough and Warradarge wind farms—it was just a continuation of that agenda. It has always had a strong interest in private investment in the power sector. If government members sit there and say, “We’re the bastions of anti-privatisation in the power sector in the Labor Party”, it is obviously an absolute nonsense. It is interesting that the bill before the house will almost certainly allow additional private investment in the energy system in Western Australia. You know what, parliamentary secretary? That is a good thing. The bill before the house is actually a positive bill. This is a good investment in legislation because it will allow the private sector to become more active in power supply in Western Australia. It is a little more privatisation from the bastions of nationalisation, the Australian Labor Party of Western Australia. That is a good thing. I love a little swing to the right in the Labor Party in this state. I love seeing that drift along. That is really good. Well done. It is going to open a door for a bit more privatisation and investment. That is a fantastic thing. For that reason, I am very supportive of the legislation, because it will deliver some very good outcomes.

Just before we move on, how else is the government interested in privatisation? We had a debate last week and the government got highly excited when we started to talk about private investment in the energy sector. Government members said, “We are the champions of anti-privatisation; we’re the nationalisation crew.” I said, “What about generation, because you privatised wind farms?” They responded, “We were not talking about generation. Put that over to one side where nobody can see that.” Okay. What were they talking about then? They said, “We are the distribution nationalisation champions.” That might yet be the case, but I suspect it will not turn out that way because this legislation might actually assist alternative models.

The government put out a whole-of-system plan a year or so ago in which it said that an extra 4 000 kilometres of distribution line will be required over the next decade or so, particularly for edge-of-grid major projects. Now, 4 000 kilometres of distribution line at a price between \$2 million and \$10 million, depending on whether it is 300 kilovolt amperes or 500 kilovolt amperes, is a fairly massive investment. Therefore, 4 000 kilometres at \$1 million will be \$4 billion. If it is \$2 million, it will be \$8 billion. If it is \$10 million, it will be \$40 billion. It is probably, hopefully, at the lower end of that range, because a significant amount of it will not need to be 500 kilovolt amperes. What is the government’s response to that process? I am aware of two responses so far. The Minister for Energy has effectively said that private sector investment will drive it, because it will be an edge-of-grid resource development; therefore, the private sector will build it. One could think, therefore, that there will be some privatisation of the distribution system based on that, unless of course it is the government’s intent to allow the private sector to build it and then instantly nationalise it again, which is what the Labor Party tends to do on occasion. Assuming it happens, the government will take the private sector investment of, let us say, \$8 billion, and then it will go, “You build it and then we’ll own it and operate it.” The private sector is most likely to go, “I don’t think so; we’ll find some alternative generation model that will deliver us the outcomes that we need without actually supplying electricity through a major grid system.” That is effectively what the government will drive the private sector to.

I do not think there is any way in the world that the government will build 4 000 kilometres of additional distribution line, nationalise it and then charge the companies that built it to use it. I quote *The Castle*, which is not a movie that I am a fan of, and say, “Tell him he’s dreaming.” I think that is the sort of expression that we would use. I do not think it will happen, and I do not think that is where the government will go because alternative models will come forward. The funny thing is that the bill before the house tonight might be the very bill that will enable those alternative models to come forward and be presented.

It was interesting to be in an upper house estimates hearing last week. I put a question about the 4 000 kilometres of additional line to Synergy. Synergy basically said that the estimate of 4 000 kilometres is a very vague long-term guess and that it has no idea whether it is accurate or not. The parliamentary secretary was there at the time, so he understands that 4 000 kilometres is probably a vague guess at the best of times. It may be a fraction of that in the long term, so the argument might be that it might be a heck of a lot smaller. Synergy will work through what it generally thinks it is. Maybe it needs to take a slightly more realistic view of what might develop. The state is highly enthusiastic about rare earth minerals and critical minerals, and expects a massive explosion of mines in that particular regard. But if we look at the lithium price at the moment and how some of those mines are going, there is a fair argument to say that a lot of that stuff will not happen. Therefore, the government might not need \$8 billion of investment from the private sector and to try to nationalise it. I suspect it might be a significantly smaller amount than that. I guess time will tell. That is part of the problem with the bill. We are dealing with things that we do not yet know and do not yet particularly understand.

I would like to get into the detail of what the models might look like. Unfortunately, it will be a bit speculative, because this bill basically says it will develop regulations for something that we do not yet know. I kind of get that and understand that, and, like I said, I support that because it is absolutely right that we do not know that yet. But there are some critical questions here. What will these alternatives look like and how will that be different from what exists currently? The state of Western Australia has had a fairly traditional energy supply model. Funnily enough, as I said earlier, it started with the private sector. The private sector was the original supplier of energy in

Western Australia. Over the last 40 years or so, when the process was taken over by government, we had for the most part a very limited amount of private sector energy, particularly in the integrated systems. I will focus on the south west interconnected system the most because it has had the most government investment and it is where most of the demand is. Just so members know, the south west interconnected system runs power from, effectively, Kalbarri down to Albany, to Ravensthorpe and out to Kalgoorlie. The system has the most demand because those areas have most of the industrial activity and by far the greatest proportion of the population. I think it services nine-tenths of the population of Western Australia, or just slightly over.

Hon Darren West: It is the largest interconnected system in the world.

Hon Dr STEVE THOMAS: In terms of area, not in terms of demand. It covers a huge area, with a fairly small population. Just be aware that the peak demand on the south west interconnected system gets up between 4 000 and 4 500 megawatts effectively. Bear in mind that nearly 20 years ago, it was nearly 4 500 megawatts as well; it actually declined for a while and then it built back up again. That is the south west interconnected system. The north west interconnected and midwest systems are much smaller and much more privately focused, again, interestingly enough. That is because the private industry that exists up there is heavily invested in providing its own power supplies. To be honest, I think that the legislation before the house today will probably also assist those people in some of their alternative models, but their alternative models are likely to be far more concentrated. In my view, the generation, distribution and storage components in the north west integrated and midwest systems are likely to remain concentrated on some fairly major producers and consumers in the mining sector that will produce enough additional energy to provide for the relatively small populations that exist there, but there are still opportunities that I want to talk about in some more detail.

The south west interconnected system services about a million households and I think 2.4 million people. It is roughly those numbers. That is the interconnected system in which I think the most opportunity lies. That is not to say that there are not opportunities around Horizon Power when we get further out into, say, the Esperance region. There has been some interesting debate on getting people off the grid and onto isolated units. I have said before in this house that where we see those units—connection to the grid being replaced by a moderate-sized wind turbine, a set of solar panels, a battery storage of some sort and a diesel backup generator—it makes a lot of sense if it is basically 50 kilometres of powerlines to connect to that particular grid. I noted and the parliamentary secretary might have seen that there was a bit of negative media around those models that came out in the last week or so. Obviously, they are not perfect, and they will not be perfect. That technology will advance over time. There will be improvements. I am still a believer that the proposal is right, but perhaps there is something of a catch-up period around the technology to allow it to be slightly more reliable than it currently is. There are issues around that. Everybody who has put solar panels on their roof probably knows that occasionally, the system falls; that is just part of the process. It will become more reliable over time. I think that those opportunities absolutely still exist.

I believe that the opportunity in energy is still to get as many people off the grid and self-reliant as we possibly can. I wrote that as a policy once, many years ago, for my federal colleagues. I said that in my view, the conservative side of politics should be looking at independence from the grid as a primary role and driving force. We believe in independence; we believe in that sort of ability to survive on our own; we believe in the individual. We need that sort of policy, particularly at the federal government level. Rather than getting engaged in and debating how state government should deliver energy, in what form and from what fuel source, we need a federal policy that actually says, “Do you know what? Our investment will be in technology that allows every person who wants to be independent from the grid to be independent from the grid, at a cost that is reasonable.” Right now, the problem is that the cost is still too high for most individuals. A bank of solar panels is actually pretty cheap these days. If someone wants to put five kilowatts on their roof, they can probably do that for 5 000 bucks—dollars; sorry, Hansard—and \$5 000 is a reasonable price for that generation, which is about the maximum that an average household will use and peak out at. Of course, there is a problem overnight, and the issue is storage for that bank of solar panels. The \$5 000 for five kilowatts worth of rooftop panels need to be matched by about \$25 000 or \$26 000 worth of storage capacity to make it worthwhile. A person can put in place a \$5 000 battery that will last for an hour or so at night. Basically, if they cook in the afternoon when the sun is shining, watch an hour of television when the lights go down and then go to bed, they might survive, but I do not know too many households that could survive like that; certainly, if they have kids, I think it just will not work. I can say that my power bills have been very high. We have raised four daughters from childhood to young adulthood, and after a period of four hot showers that I think lasted multiple hours each, the power bills kind of add up. I remember a two-month power bill being about \$950; I think I peaked out at that. It is fairly expensive. It is not a reasonable option for most people.

The reason I am going down this path of discussing what independence from the grid looks like is because ultimately, we need to start talking about that sort of stuff and the alternative power models that hopefully this legislation might start to allow. If I can voice one concern about this legislation, not that I am opposed to it, my one concern is that it may well not delve down to the micro level to a point to allow real freedom in energy supply. My one big concern is although the intent here is positive, alternative energy supply distribution and storage models will be absolutely critical to the

future of energy. They will be absolutely critical. There is probably nothing more important to our long-term energy supply, particularly in a carbon-constrained, lower carbon world, than our capacity to engage in these alternative models. If we restrict these models to large players, even moderately large players, then we will miss this enormous opportunity.

The hard thing about that is when we write the regulations, the regulations for small-model new systems are actually quite complex, but they are critically important. As we go forward and develop these new systems, what we cannot do is simply say that large power producers will be able to deliver under alternative models, but when we get to the micro level, they will not. When I talk about micro level, I am literally talking about household to household. I want to see regulations written for this legislation that allow for alternative generation, storage and supply right down to that level. Let us assume that Hon Colin de Grussa is my neighbour. I know that he lives a fair bit away, but let us assume for a minute that he has won the lotto and can afford to move to the south west.

Hon Dan Caddy: You'll have to start getting on with the Nats first!

Hon Dr STEVE THOMAS: I get on with Hon Colin de Grussa very well! We would be having barbecues at night.

Hon Louise Kingston: And me!

Hon Dr STEVE THOMAS: And Hon Louise Kingston as well. There might be a couple of lotto wins and we might all live on the same road. As we get there, Hon Colin de Grussa is a very forward-thinking individual, so on his large house and multiple sheds in the Shire of Donnybrook, he will put not five kilowatts of energy capacity but 15 kilowatts, and he wants to invest in a battery. I would suggest at that point that he probably should get a slightly larger battery, and I would go vanadium rather than lithium because I think that vanadium will actually turn out to be a better stationary storage unit than a lithium battery will. Do not get me started, because lithium is still very important in transport batteries.

Hon Sandra Carr interjected.

Hon Dr STEVE THOMAS: I think that Hon Sandra Carr and I agree on this. Hon Colin de Grussa decides that he will put a bank of 15 kilowatts of solar panels on his roof, and he is going to put in \$50 000 worth of vanadium batteries.

Hon Darren West: Not on his roof.

Hon Dr STEVE THOMAS: He will not put them on his roof; no. They are not necessarily as heavy as lithium, but they are still reasonably heavy. He is going to supply Hon Louise Kingston and me with electricity at the household-to-household level.

Hon Colin de Grussa: At an extortionate price.

Hon Dr STEVE THOMAS: Well, probably. Hon Colin de Grussa comes from the Esperance wheatbelt, and they are not used to doing things cheap out there. I could imagine that instead of the current price of 25¢ or 26¢ a kilowatt hour, my price might even be higher.

Hon Colin de Grussa: It might be a dollar.

Hon Dr STEVE THOMAS: Yes. But right now, there is an issue in that the legislation for energy supply does not allow that. The legislation will bring in regulations that allow protection for those who purchase, and that is also important. We have not got to that bit yet, but that is an important part of the legislation.

Hon Colin de Grussa decides that he will be a power generator, will provide storage and will be a supplier and retailer of electricity.

Hon Darren West: He is an embedded network!

Hon Dr STEVE THOMAS: Hang on. We will come back to whether he is, because “embedded network” is a different definition again from how this might work. He may be an embedded network, but he may not be. Under the regulations, he may simply be a generator and supplier of electricity. Ultimately, I want to see regulations that get down to a micro level that will allow that to happen.

A whole range of models will come forward. One of the models that half-heartedly exists at the moment but is restricted by regulation is the model that simply takes rooftop power generation and distributes it amongst people who want to purchase it at whatever time of the day it can be supplied before a storage component is put in. A model of that has existed in Busselton for a while. The parliamentary secretary's advisers might be able to tell him about that. There are also a couple of other versions floating around. That sort of thing will be quite complex to regulate and it will be quite complex to ensure standards. When we start to talk about protections for consumers, which is also part of this bill, the micro level is by far the most complex. We will need to go to Committee of the Whole House stage of the bill, not necessarily for an enormously long time, and I want the parliamentary secretary to give us an indication of the level and depth that the regulations will ultimately get to. I note that it is very hard. It is a bit like how long is a piece of string. I suspect the regulations might start at the larger end of the market. If the government intends to basically stop that when it thinks it has things under control, my advice is that the greatest advantage the

government will possibly get, at the end of the day, is that the more micro it allows, the more freedom it will allow into the marketplace. I know that free markets are not in the Labor Party's DNA; free markets are not where it goes, but in this instance, I suggest that free markets might start to develop some really interesting things and the pressure will come off. If the government gets this right, I will not have to stand here and say, "I told you so. The lights went out in 2027 because you did not have enough generation capacity, and you turned off the coal-fired power stations too quickly and did not have any alternative in place." With the right regulations around this legislation, the government has a chance of avoiding disaster. I am not saying it is likely and I am not saying that is the expected outcome, but I am saying that the government has a chance of avoiding the worst of it if it can get this regulatory component right and allow people to supply in a localised network in a way that keeps their lights on. The government can share the load. I am not sure whether the government is smart enough to have figured out that this will be a good outcome. I have a lot of respect for the previous energy minister, Hon Bill Johnston. Maybe he was smart enough to figure it out. That is no disrespect to the current energy minister, Hon Reece Whitby, I just do not know him very well. I imagine this legislation was introduced under the previous minister.

Hon Darren West: In the Assembly through the previous minister.

Hon Dr STEVE THOMAS: So maybe he was smart enough to figure out that this will be one of the mitigating circumstances. We all know that the current transition plan will not work—none of it will deliver—but maybe, just maybe, the government can mitigate the problem here a bit by effectively allowing the private sector to save its bacon. That will be the most hilarious part of this. I believe in private sector investment as much as possible because, largely, the private sector does things more efficiently than government. Obviously, there are some things that the private sector does not do. Today I read somewhere, or I might have heard on the radio driving around the beautiful south west this morning, that the government has extended a private sector contract for health service provision. Once again, well done. There is a little bit more privatisation from the communists on the other side! That is fantastic; that is very well done. I like to see the Labor government accept that private sector investment is sometimes a good thing and sometimes potentially more effective than the government operating the same service. I know that does not come naturally. An issue I have always had is that this has been a relatively conservative far-left-wing government, so it is a bit hard.

Hon Sandra Carr interjected.

Hon Dr STEVE THOMAS: This government is not out there at the truly communist Albanese wing of things, socially engineering itself to a communist utopia. It is a relatively conservative Labor government for the most part. I am very pleased to see that.

Several members interjected.

Hon Dr STEVE THOMAS: That is a bit rude!

I like to see the government a bit engaged in the privatisation process. It is very good to see. Here is an opportunity for this government to really show not just conservative credentials but also commonsense ones. If the transition plan does not deliver what the government thinks it will, the opportunity for the wider community to step up and save its bacon is massive. This might just be the government's saviour. The transition plan we put in place is a furphy, but do members know who will save us? It will be the forward-thinking, wisely investing, technology-adopting community of Western Australia—those forward adopters who can provide enough energy for themselves and three other houses. Hon Colin de Grussa is making a profit off Hon Louise Kingston and me, and good luck to him. I am busy doing something else and he is looking after things—great. That is the private sector in action—the free market in action. I might be up to an armpit doing something! I think we should stop that now! I gave those graphic descriptions once in debate on a bill, and I think I do not need to go any further with that! Here is an opportunity to maybe get the regulatory process right and save the government's own bacon, and good luck to it. If in a couple of years' time I do not get the opportunity to say, "See! I told you it was a complete mess" because the private sector saves the government's bacon, I will still say that the private sector saved the government's bacon. The reality is that it might just, but only if the government gets the regulatory process on this right. I suspect that is too big an ask for the private sector; the government might be putting too much on it. I suspect there will need to be other investments in the process. I still think that everybody, Labor and Liberal—probably everybody except the Greens—will accept that in the not-to-distant future the government will have to build another 200 megawatts or 300 megawatts of gas generation just to get it through.

Hon Dan Caddy interjected.

Hon Dr STEVE THOMAS: Sorry, it is after dinner!

That is absolutely the case. Here is the government's mitigating opportunity: put the regulations in place that will allow all of these things to occur.

What other options need to come out of this legislation? I am probably concentrating on the legislation more than I generally do, which is a bit weird, but anyway.

Hon Stephen Dawson: There is a first time for everything, honourable member!

Hon Dr STEVE THOMAS: I know! I will try not to make it a habit, Minister for Emergency Services!

Several members interjected.

Hon Dr STEVE THOMAS: I have many; I have got plenty!

Hon Klara Andric interjected.

Hon Dr STEVE THOMAS: No, obviously not at this point.

Hon Colin de Grussa might not want to do all of those things; he might not want to generate, store and distribute. The regulations that will ultimately be written for this need to allow for the capacity for alternative versions, such as Hon Colin de Grussa only wanting to store and resell energy. I suspect we will debate this in clause 1, parliamentary secretary, so this is a bit of a heads-up to get prepared. People may want to invest in a battery, even if they are not generating, to store off-peak energy and put it back into the grid at peak time. I was out in the sunshine for most of today, and it was lovely. The south west is beautiful. The sun is pouring down. It was windy. I was around Bunbury. The wind was pretty good, and I presume it was windy at Merredin. The wind farms are producing plenty of energy. The state is probably producing almost enough renewable energy to cover its demand. Hon Colin de Grussa does not want to generate renewable energy; he just wants to get out his vanadium battery and take energy out of the system the government put in place, in an overabundance, then sell it back into the system, ideally at a price that makes a profit. Currently, I do not think he can do that. I think the rules and regulations around Synergy and Western Power prohibit that. Therefore, I am interested in the parliamentary secretary explaining—maybe he will do it in the clause 1 debate—why that is not a reasonable option.

Does the parliamentary secretary know what Hon Colin de Grussa would be doing at that time? He would be doing exactly what the government is doing. The government is building a moderately sized big battery in Kwinana, extending to 800 megawatt hours, and a bigger battery in Collie of 2 000 megawatt hours. I note that construction started last week. It is a pity there are no long-term jobs, but there will be some short-term jobs in the meantime. Those batteries are important. Here is a red letter day: well done on building the batteries! The government has done the right thing in building the batteries; in fact, it will probably need to build more batteries. I do not think it has built enough batteries. If we are going to have storage at that level, the government needs to build those batteries. Who is going to own them is a good question.

The government swings between a bit of privatisation and the nationalised model, then back out on the left wing. Why does the government seem so opposed to an individual doing exactly the same thing that it is doing? The government obviously makes a profit from doing it. In the middle of the day, when there is wind and sunshine—a lot of the time it does not produce much renewable energy at all, such as on a cold, wet winter's day with no wind when it is just raining—the government takes it and stores it. In theory, it is to put back into the grid when it is required and in demand. It is actually more of a smoothing exercise than anything else, but the theory is that if the government has enough storage, which it will ultimately need, and if the government is going to try to get to renewables on its timetable, which it cannot do under the current models, the government will basically have to put that energy back in. Why is it that Hon Colin de Grussa could not do the same thing? That is the sort of thing that I think the regulations need to allow for: getting those microgrid levels, or nanogrids, into position.

It is easy to talk about the large-scale grids that might be effective, and the government did a trial in Kalbarri on those grids with, I have to say, modest success at best. It probably did not do exactly what people wanted. I could have jumped up and down and said that that was a disaster and so on. It was a good experiment. It was worth trying. The government will try other things that do not work as well as it thinks it will work; in fact, the government's entire transition is going to look like that. The reality is that at some point, when the technology catches up, those grids will work. The government will be able to create a microgrid, in my view, around Albany, Denmark and Mt Barker; Walpole is too far away. There is an opportunity for a microgrid down there and for the government to use wind farm technologies and rooftop solar, but what is missing down there is storage.

The issue with the Kalgoorlie microgrid is that the government needs to increase generation, capacity and reliability for it to be successful. There is not enough generation, as evidenced by what happened when the main metropolitan line on the south west interconnected system fell down and the backup generators failed. The government may put in enough backup to be successful, but it should be aiming for the potential of a microgrid out that far as well. The government should be looking at that technology. A microgrid can be anything from Hon Colin de Grussa supplying the two of us to a microgrid the size of Kalgoorlie. A Kalgoorlie-sized microgrid is a real challenge. It is a huge opportunity but a massive challenge. If the government's transition is going to work, it will need to be able to put in place microgrids of that size. All that needs to be empowered by the regulations that the bill will ultimately put together. The problem is that it is very hard for us to judge whether it will actually do the job.

Currently, the government has a really interesting process of saying, “Trust us, we’ll put in the regulations down the track.” I have never quite seen a page such as page 9 of the bill that we are debating before the house. I thought I might read page 9 in just for the sheer amusement of everybody. If members need to know exactly how much is yet to come on this, page 9 will insert a new section 59C, “Alternative electricity services”, into the Electricity Industry Act 2004. Funnily enough, that is part of the name of the bill in brackets, so this is pretty definitive. It states —

59C. Alternative electricity services

- (1) The regulations may prescribe —
 - (a) an activity as an alternative electricity service;
 - or
 - (b) a class of activities as a class of alternative electricity service.
- (2) The regulations may regulate —

Holy mackerel! —

the provision of an alternative electricity service or a class of alternative electricity service to any of the following —

- (a) small use customers or a class of small use customers;
- (b) customers or a class of customers other than small use customers;
- (c) all customers.

I do not know who the government has missed out there. It continues —

- (3) The regulations may prescribe requirements to be complied with in the provision of an alternative electricity service or a class of alternative electricity service.
- (4) The regulations may regulate the eligibility of a person or a class of persons to be granted a registration for an alternative electricity service or a class of alternative electricity service.

Holy mackerel! Basically, proposed section 59C, “Alternative electricity services”, effectively says that we are empowering regulations to do all the jobs that we think might need to be done, and, by the way, we will tell people what that will look like some time down the track when the regulations are done. It makes it very difficult to assess what this bill will actually deliver.

The opposition and the wider community have no option at this point but to say that, obviously, legislation empowering the recognition of alternative energy services is absolutely essential, and that is why the opposition today is supporting the bill; however, exactly what that will look like is completely unknown. I am hoping that the parliamentary secretary, in the clause 1 debate that we will have in a little bit, might be in a position to give us a bit more detail. He might be able to tell us some of the intent of the government. He might not at the same time. It might be that this is very open ended. I know that in the briefing, and certainly in my discussions with the previous Minister for Energy, they were talking about leaving it as broad as possible to allow as much alternative modelling to occur as possible. I kind of get that. I understand, and I actually encourage that.

Hon Neil Thomson: Good for us in '25 when we take over.

Hon Dr STEVE THOMAS: It will just create work because the government will have to put together a whole pile of regulations about things that are as yet unknown.

I am going to run out of time, unfortunately. We could discuss energy provision forever, but there are a few other critical components to this. It is good that this piece of legislation will introduce an oversight to the small regulatory models—assuming they will be small. They will be new models of energy delivery. If Hon Colin de Grussa is supplying Hon Louise Kingston and me an alternative energy source and he does not deliver, there needs to be a recourse for that. Precisely what that recourse is, I guess, is a little bit unknown. We would be able to take it to the Energy and Water Ombudsman WA, at the very least, and there might be other opportunities to find recourse for that.

The provision of that service is going to put enormous pressure on the overall grid system. If the regulations allow for the micromodel that I am talking about, the pressure on the grid system and the need to maintain supply for those who do not have some sort of alternative supply system will make it an incredibly difficult task. I do not envy the government that. One of the most difficult things will be that, as the government allows alternative energy models to be put in place, it will become the energy supplier of last resort. Those people who do not have the financial capacity to look after their own energy needs or to buy from someone who can look after their energy needs will be the last remaining people in the current system. They will be relying on a state system for generation, storage and supply. I take the view that that state system will be the most expensive and most inefficient of all the energy

systems that will then be available in the state. The problem with that is how will the government manage to maintain supply to the last 100 000 customers if they cannot afford any alternative?

I think there is a role for the federal government in investing to allow pensioners, in particular, and the group of people who are struggling to put solar panels on their roofs. A \$5 000 investment does not mean much to somebody on a parliamentary salary, but it is a heck of a lot of money to someone on a \$28 000 pension, particularly if they are paying \$20 000 of it in rent. That would be a huge investment. I think the federal government should look at subsidising that group of people and getting them into alternative energy systems. The state government might look at that as well. Until recently, the government could afford to. I note that the price of iron ore has dropped to \$US100 a tonne.

Hon Stephen Dawson: Didn't you tell us last week that it was going to stay up high for a long time?

Hon Dr STEVE THOMAS: No. In fact, I will get the minister some of my speeches in *Hansard* in which I said that five years is the average. Interestingly, those members who listen to my speeches—I know the minister listens avidly—will know that the current boom started in February 2019. Guess what? It is five years and one month after that. Not that I am boasting, but I was pretty accurate. The government has had a lot of money to invest. It still might be cheaper for the government to assist people into an alternative energy system than to continue to maintain and run a system that is losing money.

I reckon this is the amazing component of this. Here is my Nostradamus prediction. Do not worry about \$6 billion surpluses year in and year out. That is blasé; I have done that for the last few years. That is the easy stuff. It will actually be \$5 billion, not \$6 billion. There is my Nostradamus prediction for the budget. Here is my Nostradamus prediction for this. I have basically said that this bill and the regulations that are developed from it might just save the energy system from the government's own transition that will not work. It might just do that. If the government is good enough at it and it protects the people who cannot jump across, it might be able to keep the lights on. It might be able to do that, but only if it gets this right. I understand why this is a very important piece of legislation. The reality, though, is that the government will not be able to judge how successful it is until it gets to the regulatory component and it tells us exactly what the regulations are. I should not say it is a Nostradamus prediction, because Nostradamus got almost everything wrong.

Hon Dan Caddy: Highly appropriate.

Hon Dr STEVE THOMAS: Nostradamus was not accurate, despite all we see on television.

Hon Dan Caddy: He did it in French, too.

Hon Dr STEVE THOMAS: Non, mais oui. My Japanese is better than my French.

If the Labor Party gets this right, without meaning or intending to and completely by accident, it will drive a successful privatisation agenda in the energy provision system because the community will want to get involved. If it gets this right, it will help to privatise the energy system because there is no other solution that will deliver the outcomes that it wants. That will be astounding. I will be very impressed if it does that. I will at some point find a way to call it an ultra-conservative government, but that is going to be the outcome if it gets this right. If it allows for microgrids and a freer market in the energy system, it allows for freedom in generation, distribution and sales, and it allows the very micro to the regions, ultimately everybody will follow suit. Ultimately, Perth will follow suit. If the government allows Hon Colin de Grussa to supply a couple of houses and then it builds up in Kalbarri and it works properly, and then it goes to Albany and Kalgoorlie and it can make that work with some additional generation and by buying in private generation, it will find that Perth will start to shift, as Busselton exists now, whereby people are basically using computer technology to pick up generation from rooftops and sell it to other people who are using energy. That exists now. It is completely the private sector operating within the power system.

The regulations that will be derived from this legislation are needed to make it better and safer, and that is why the opposition supports the bill before the house. The government actually needs to do that. The legislation is good. We have not really gone enough into the compliance side in the debate so far, but it is essential that the government does that. The bill is important. We support the bill. I am sure that everybody supports the bill. However, if the government is successful through this bill, it will drive another privatisation that will be bigger than its sale of the wind farms and its enabling of the building of private coal-fired power stations, because it will provide freedom for the community within the power system. If it gets it wrong, it will make a complete pig's breakfast of it, and the outcome will be worse than doing nothing, but I am optimistic. I am going to give the government the benefit of the doubt. Get these regulations right and the power system in this state will improve, and the private sector and, most importantly, individual empowerment will drive it. That would be a good outcome and a great future for any jurisdiction.

HON NEIL THOMSON (Mining and Pastoral) [7.57 pm]: I want to speak on the Electricity Industry Amendment (Alternative Electricity Services) Bill 2023. I listened with a lot of interest to the very erudite comments of my colleague Hon Dr Steve Thomas about, in my words, privatisation by stealth in the energy sector. He did not quite

say it in that way, but it was certainly the imputation being put. I am not particularly confident, so we may have different levels of confidence. I know that my colleague said it in the best of spirits when he referred to the hope of what the other side might achieve in providing a robust and competitive energy sector as we transition to renewables, which will inevitably be a much greater blend of our energy network. It is inevitable that we are heading that way. It will be very important to the decarbonisation efforts that we are going to deliver upon until 2050, when we have to meet the net zero target. I will put a slightly different slant on some of the confidence I have about that. I certainly do not think the government has much of a track record on that.

We saw the privatisation of aspects of Landgate's Shared Location Information Platform and other matters, including the sale of the Landgate building. That was semi-privatisation. It was the privatisation of accommodation related to Landgate. Those deals that were entered into did not look like they were done in the broader public interest of the taxpayers. I have some concerns about them.

Because of the changing nature of our energy system, we are seeing alternative systems coming to the fore. It is inevitable that we will see a more atomised system of supply, storage, distribution and even the redistribution of energy, and a market for the receipt of energy into the storage systems that will be different from the types of markets that we have had to interface with in the past when it was a lineal process of generation through to the customer at various stages. Because of the obvious importance of the storage systems to receive and hold energy—for storage, we are changing everything—the government will make the market a much more complex but exciting market. That is why we support the bill. We see the importance of having oversight of it, or at least a dispute-resolution process. I support the Economic Regulation Authority having a role to play in that. In the past, we have had incentive regulations in the energy market that have looked at the reliability and price of power. The incentive regulations on the price of power are probably not as relevant for alternative energy systems because we do not have the same monopoly conditions that we have with a single major generator moving the energy to many customers because we will have many generators. We already have many generators. Almost every rooftop across the metropolitan area and in regional towns has become a small power generator. The technology is creating competition by itself. Notwithstanding the encouragement from my colleague, Hon Dr Steve Thomas —

Hon Dr Steve Thomas: I'm an optimist.

Hon NEIL THOMSON: I took that as an optimistic view and an attempt to encourage the government to take a proactive view —

Hon Dr Steve Thomas: To lift its performance.

Hon NEIL THOMSON: — to lift its performance and take the privatisation model that it is introducing and embrace it. As my colleague said, the government might get it right.

Hon Dr Steve Thomas: A stopped clock is still right twice a day.

Hon NEIL THOMSON: That is right. We are getting clarification on the probability of getting it right, which I think is quite low. I look at some of the things going on in Horizon Power, which is in my part of the world. It is the monopoly provider, in the main, for our energy system across —

Hon Darren West: You also have the SWIS in your electorate.

Hon NEIL THOMSON: We have the south west interconnected system in the goldfields. It is regularly disconnected to the great pain and suffering of our local community. Hon Darren West has reminded me of the SWIS in the goldfields, which regularly goes out and the black start capability cannot get going again. I will not go there because we talked about that earlier in the hope that my conversation about that had been taken on board by the Minister for Energy.

Getting to the point about Horizon Power, the government's problem is that it always wants to have its finger in the pie. It is out there cutting ribbons and putting on the hard hat so that it looks like it is the one delivering. I take, for example, the recent acquisition of 50 per cent of Boundary Power. That body is supposed to be able to deliver alternative energy systems. The government acquired it to go head-to-head in competition with myriad private providers that are doing a really good job delivering alternative energy systems. When this government is thrown out in 2025, we could get John Langoulant out of his \$300 000-a-year rental accommodation in London and employ him to review the ins and outs of some of these acquisitions and activities on the matter I raised earlier about the Landgate building. There will be plenty of fodder to review the semi-privatised entities. The government likes to get its finger in the pie and do deals like that. It cannot help itself because it loves a headline. We have seen the headlines.

Hon Darren West: Any chance of getting back to the bill?

Hon NEIL THOMSON: I am talking about the bill because we are talking about alternative energy supplies. The government loves a headline and to spend up big. It loves to be part of the so-called success of not just the regulatory function, which I support. I think we should get the ERA involved in doing more to regulate the issues and deal

with the conflicts that might arise from time to time between customers, suppliers and those involved in the storage or redistribution of power. All sorts of things will need to be regulated. I always encourage the government to do more to regulate those aspects of the industry. Standing as the shadow Treasurer, I do not like to see the government pour billions of dollars into these issues through direct investment, and I am sure my colleague Hon Dr Steve Thomas would agree with me. I will keep a very close eye on this matter and make sure that this \$2.3 investment for Synergy to deliver a 500-megawatt battery energy storage system in Collie will deliver an outcome for the state. We want to make sure that it is value for money and that we are getting the best deal. Members opposite are very quick to point the finger. We saw the recent announcement by the Liberal leader on doing the sensible thing for uranium mining in the state. We saw the eminently sensible decision that was well supported by industry to open up that part of the sector so that we can get back to getting on with the sensible delivery of uranium ore in the state, yet the Premier came out and put a price on what was viable. It is like the government thinks it knows what is viable. The government thinks that it is the market. That is the problem. As much as my colleague Hon Dr Steve Thomas encourages the government to privatise, I am worried that when the government starts to dabble in these private entities, it cannot help itself. It thinks it has to have its finger in the pie, but it messes it up. The government can mess it up. I know how the government has messed it up because I have talked to people in the renewable energy industry. We know that the cost of delivering projects like the Bidadanga renewable power project is being gold plated to the hilt. We know that because the government cannot help itself. It has to get involved when it could be delivered more practically by the private sector. Plenty of private providers of alternative energy suppliers are able to do that. If that is what this bill is about, we should be making sure that it works properly. I do, like my colleague Hon Dr Steve Thomas —

Several members interjected.

Hon NEIL THOMSON: I want to encourage the government to get it right —

Several members interjected.

Hon NEIL THOMSON: Get the governance arrangements right and let the ERA do the right thing and have independence around this.

Several members interjected.

The ACTING PRESIDENT (Hon Dr Sally Talbot): Members, it is very, very hard for the people trying to ensure the orderly operation of the chamber when there are about eight conversations going on at the same time, all of which are at the same volume level. Can we change that from now until we get up tonight? I give the call to Hon Neil Thomson.

Hon NEIL THOMSON: Thank you.

Hon Stephen Dawson: Don't shout.

Hon NEIL THOMSON: If members would just silence themselves, I will speak —

The ACTING PRESIDENT: If you direct your comments to me, honourable member, that generally works.

Hon NEIL THOMSON: I was getting instructions from a member, which was very disorderly, Acting President, but I will continue to direct my comments to you.

The fact is that we need the Economic Regulation Authority to have tools in the toolkit to do the job that it needs to do so that we can have flourishing alternative energy suppliers in the state.

Hon Dr Steve Thomas talked about page 9 of the bill and the fact that we did not know what some elements in the regulations were about. All I can say is that given the timing of this legislation, that could possibly be a good thing for us because when we are in government in 2025, we will make sure that those regulations are appropriate for the sake of the Western Australian community. We will be making sure that incentives are in place for the provision of a range of different types of energy sources. Dare I say it, should it possibly eventuate that the viability of nuclear power improves, maybe that would be considered. We are not ideologically opposed to such an alternative energy supply. We would like to see regulations that might allow for that in due course, but that is a different matter.

Whatever we do, we want to make sure that energy in the state is affordable and reliable. Ultimately, that is what it comes down to. It is not about some vanity project of the Minister for Energy or the Minister for Environment, who are one and the same person. It is not about having a Treasurer who likes to get out with her hard hat on and cut lots of ribbons; it is about delivering good governance in the state that can encourage investment. We know that a massive amount of investment is just waiting in the wings for us to get this right. We know that the decarbonisation efforts in the state are front of mind for our major corporates across the state, all of which rely on energy supplies in the state.

One of the major aspects of their decarbonisation efforts will be in the delivery of decarbonised energy. That will be a vital part of the role played by those big energy consumers. We know that many of those energy users in the

mining sector are very concerned about the safeguard mechanism, the 4.6 per cent carbon target that will apply every 12 months and the challenges that present in Western Australia because we have a relatively small interconnected system. We are not able to power our mine sites on the interconnected system in the main. We need to ensure that those alternative energy suppliers can operate in a safe and secure environment, enabling them to know the parameters in which they can operate and to operate in such a way that if there are any issues, there will be some level of arbitration or management through the Economic Regulation Authority. It is vital that that decarbonisation effort occurs. It is vital that we remove the barriers to that right across the sector, whether it be in energy or in some of those other vital technologies that apply, such as direct carbon capture and storage, which will also be a critical part of our gas industry, which provides for our energy sector.

Although I have the same level of hope that Hon Dr Steve Thomas has that this government gets it right, I am worried about its propensity to get its finger in the pie and spend up large without providing stability in the regulatory environment. I am worried that we will not end up having an affordable energy system in the future. This bill is certainly a step in the right direction. I live in hope that we see regulations come into effect that deliver an efficient energy market in Western Australia.

HON DARREN WEST (Agricultural — Parliamentary Secretary) [8.15 pm] — in reply: I thank the opposition for supporting the Electricity Industry Amendment (Alternative Electricity Services) Bill 2023. It is great to have its support. It is an important piece of legislation for the future of energy in Western Australia. I also acknowledge former minister Bill Johnston and all the staff and advisers. These are very complex and technical amendments to the Electricity Industry Act 2004. I thank them all for their work in bringing it to this point. To get it to this chamber of review with bipartisan support is testament to their work and much appreciated.

Hon Dr Steve Thomas raised some points. His knowledge and command of the energy system is to be admired. He called himself an optimist although he began with a very pessimistic view—that we were unable to make this work—so he is an optimistic pessimist. I am okay about that. Sometimes I am a pessimistic optimist.

Hon Dr Steve Thomas: A pessimist is what an optimist calls a realist.

Hon DARREN WEST: We can speculate about that all day, but I did hear pessimism about the government's ability to carry out the energy transition. I do not share the opposition's pessimism. I am certainly optimistic about the future. Legislation such as this and the Electricity Industry Amendment (Distributed Energy Resources) Bill 2023 that we passed a couple of weeks ago will be cornerstones in enabling legislation and the framework that we need to move forward in the energy transition.

We heard a little about privatisation. I did a little search on my iPad while Hon Dr Steve Thomas was talking. He was indeed right. The first reticulated electricity was in 1884. Katanning was not far behind in 1891. I have learned something today. I thought we were first in the Agricultural Region, but we were a gallant second.

The member outlined to us that WA Labor governments have always been innovative in supplying electricity at the lowest price for Western Australians. We do occupy the sensible centre when it comes to energy policy. I thank the member for that.

I also note that there was a call for a perfect energy system. There is no such thing. We will allow for the alternatives to make our system as perfect and reliable as we can. The south west interconnected system operates at around 99.93 per cent reliability, which is pretty good, but that means that from time to time, people's power will go off. Basic physics tells us that the further they are out to the perimeter of the SWIS, the less reliable the system will be.

I have written down that the bill may allow private investment. We agree with the opposition that the bill is common sense. What I liked the most was a classic. These are technical bills. I am not sure everybody had the briefing. I would go as far as to suggest that Hon Neil Thomson may have been absent on the day of the briefing, given his contribution. The member will be very pleased to know that the bill will protect him from Hon Colin de Grussa. We may nickname this the Colin de Grussa bill because he will now get protection under the scenario that he painted for us, and so will —

Hon Dr Steve Thomas: Hon Louise Kingston.

Hon DARREN WEST: Yes, Hon Louise Kingston. They will both be protected from Hon Colin de Grussa. Maybe over the next few months, that protection might come in really handy. That will be an outcome —

Hon Dr Steve Thomas: When he becomes a powerbroker soon.

Hon DARREN WEST: Very good. It exemplifies what will be possible under this bill—that protections, mechanisms and frameworks that will provide a mechanism of appeal will be in place, none of which exists at the moment. As the energy system transitions, we will need a framework that will allow for whatever comes our way. It is very difficult to predict as the energy system is moving so quickly. We already have over one-third renewables here in Western Australia. As Hon Dr Steve Thomas pointed out, we are moving to some significant amounts of storage that will complement that. We would love to have something like a pumped hydro system in Western Australia. As the member pointed out earlier, we have everything we need except mountains and vast amounts of water. We will come up with our own energy storage systems and renewable systems because we always

say, “If you can’t make renewable energy and storage work in Western Australia, you will not make it work anywhere.” We have an abundance of space, an abundance of solar, an abundance of wind and all the critical minerals that we need to make all this happen, and all the storage.

I appreciate the opposition’s support for the bill. I look forward to the committee stage. The government will move some amendments as a consequence of the two electricity amendment bills not passing in close proximity to each other. We will work through those as we get to that point. I acknowledge everyone who has worked on the bill and the advisers who will be with us tonight.

I commend the bill to the house.

Question put and passed.

Bill read a second time.

Committee

The Deputy Chair of Committees (Hon Dr Sally Talbot) in the chair; Hon Darren West (Parliamentary Secretary) in charge of the bill.

Clause 1: Short title —

Hon Dr STEVE THOMAS: The tricky part of this bill of course is that so much is unknown. From the outset, I intend to spend most of my contribution to debate on clause 1. We obviously have an amendment that I believe is coming on clause 2, and I have a few questions on clause 4. I suspect that this will progress tomorrow relatively quickly. I want to spend a little time on clause 1 to get a feel for the extent to which these alternative electricity services might be delivered. I will take a little time to weed that out a bit. I will start with hopefully a fairly simple question. I apologise that a lot of things I will ask the parliamentary secretary potentially are things he will respond to with, “We’ll work that out in the regulatory process”, but perhaps he could give us some idea of the government’s intent. Let us start with these questions: Are there likely to be limits on the size or capacity of alternative energy systems that can be approved under the regulations developed from this bill? When I talk about the microlevel, if it is the Hon Colin de Grussa unit whereby he is selling to two people, will there be megawatt limits and size distribution limits? What is intended in the definition of an alternative energy system? Let us start with that.

Hon DARREN WEST: We would envisage that most of the applications would be small scale, such as the system size and style that the member outlined in his contribution to the second reading debate. Larger scale systems may require a licensing arrangement that already exists.

Hon Dr STEVE THOMAS: I think that is probably right. Would it be reasonable, then, to assume that an Hon Colin de Grussa-style unit would be potentially enabled by the regulations extending from this, but that a Kalgoorlie microgrid, for example, would be of a size—Albany is 35-megawatt peak demand and I suspect Kalgoorlie is 60 megawatts—whereby it would be captured under the existing provider legislation? Is that roughly the size we are talking about?

Hon DARREN WEST: The bill is not so much about new technologies and the like; it is about protection for customers. When we go to larger scale alternative energy systems, they will get more complex. When they get more complex, they will move to a more licensing-style arrangement, which we already have in place.

Hon Dr STEVE THOMAS: I understand that it is very hard to put a specific limit on that in terms of area distribution or megawatt hours or anything, so I understand that it is relatively complex. I am trying to peel out for future reference so that when somebody references this in five years and says, “We’re trying to set up an Hon Colin de Grussa unit somewhere and it’s not working”, we have discussed and tried to draw out what it might look like. Will it be the same system encompassed across all levels of the energy system? Are micro-generator, micro-distribution and micro-storage likely to be different? Is it intended that they will be different components of the regulatory role or is it likely that they will all run into the same system; that is, it would apply effectively to be within the system and then it would be a universal process?

Hon DARREN WEST: Within each service, there may be regulations to cover the whole service or parts thereof, as the member outlined earlier. There also may be different regulations and systems in place for different customers. There may be larger customers and smaller customers within that service. Each service will be regulated on its merit, if you like, depending on the type of arrangements for customers and what is within the service.

Hon Dr STEVE THOMAS: That obviously means that we are looking at a fairly complex set of regulations to be derived from this. It will be an enormous amount of work. I am pleased to say that it was made plain in the briefing that a regulatory impact statement would be done alongside that process, which I think is a good outcome. Well done to whoever put that in. That will certainly help the process. Is the parliamentary secretary in a position to tell us—he may not have the right advisers with him—whether people who want to engage in an alternative energy

system by simply putting on additional battery capacity and selling it back to the system are allowed to do that under the current regulatory process; and, if not, why not?

The DEPUTY CHAIR (Hon Dr Sally Talbot): Just while the parliamentary secretary is considering his response, I draw members' attention to the fact that we have just been issued with supplementary notice paper issue 1 on this bill.

Hon DARREN WEST: Synergy and Horizon Power currently purchase power from solar panels on rooftops, for example, and it gets sold into the grid.

Hon Dr STEVE THOMAS: I am aware of that. I put solar panels on—I like to say it is my house, but we all know it is really my wife's house; she lets me live there on occasions when I visit. We do that, but we did not get in on time for the 60¢ or 50¢ rebate scheme, which was immensely to foolishly generous. I know that that system currently exists, and the payment people currently receive is quite minuscule. I will take a couple of minutes to say that, to be honest, I actually think it is a reasonable outcome if we get a couple of cents for energy we put back into the grid. This is free advice, for what it is worth: my view of rooftop solar is that it should not be something that the average citizen makes money on at the expense of the wider energy supply system. The goal always has to be to be as self-sufficient as possible, and then if they make something from the additional energy and can put that back into the grid, that is a bonus on top. That is the ice cream and lolly on top of the thing. The aim has to be self-sufficiency. Ultimately, I do not think that people should be paid at a level that they make significant dollars on it. I know that people were getting 50¢ a kilowatt hour feeding tariff back into the system; solar panel owners paid off their solar panels in a couple of years and were then making significant dollars. I actually think that the current system is better. It is more honest and more realistic. I put that out there. Apologies to all those people who enjoyed making a lot of money out of that system.

My question then relates specifically to the battery component. Yes, solar panels can come back in. My understanding is that currently, Synergy does not allow people to simply store battery power, for example, off peak and put it back into the system at a higher price on peak. The parliamentary secretary may not be able to, but is he able to tell us whether that situation exists or whether people can put battery power back in, simply as a storage component?

Hon DARREN WEST: That situation does exist, but it would not be economical for a household to do it.

Hon Dr STEVE THOMAS: I am glad that it is legally technically feasible at this point, because at some point, it might actually play a role in one of these alternative energy services in which it is feasible, particularly in the Hon Colin de Grussa model, in which we have that private sale. Sorry, Hon Colin de Grussa; you have now been labelled with this.

Hon Darren West: You started it!

Hon Dr STEVE THOMAS: Yes; you can blame Hon Darren West for that! For that particular model, it may well play a role. I am hoping that I can encourage the government to ensure that the regulations it puts together in relation to this bill will continue to allow that alternative energy service purely on storage and resale. I suspect, and the parliamentary secretary will correct me if I am wrong, the reason it is not viable is the very low payment that Synergy makes for that recharge back into the system. A person may be paying 11¢ a kilowatt hour off peak. Lots of people are paying around that off peak as I understand it, and the parliamentary secretary may correct me. Some people may be paying 11¢ an hour versus a lot of people who are paying 25¢ or 45¢ a kilowatt hour, depending on where they are, when they purchase from Synergy. If they are physically allowed to put energy back in, but Synergy is going to give them 2.5¢ a kilowatt hour, obviously that becomes an issue. That is not economically viable. When Synergy builds the big battery at Collie, I do not think that it has any intention to sell energy back into the system at peak at 2.5¢ a kilowatt hour; it will sell it back in at 25¢ a kilowatt hour, which is the minimum domestic price, and business pays significantly higher than that.

I guess the question then becomes: Will the same set of rules apply to the private sector as applies to Synergy? Will there be a level playing field in that competitiveness, or is it simply that if someone wants to engage in storage and resale, they will have to have their own purchaser purchasing from them?

I will try to explain that a little more carefully. If I come and buy the government or Synergy's energy off its big battery in Collie, which is the nearest one to me in Donnybrook, it is going to charge me on peak 25¢ or 26¢ a kilowatt hour, and it can do that because it is taking its off-peak power that is costing it next to nothing and putting it in there. It is making a profit from that. Hon Colin de Grussa wants to know if I want to do a contract with him. In theory, I can sign a contract with him to pay him the same price I would be paying Synergy on peak, at 26¢ a kilowatt hour. If he sells it to Synergy to sell to me, he is getting 2.5¢ and Synergy is getting 25¢; if he sells directly to me, my 25¢ goes directly to him. Is that likely to be allowed under the new system? Because unless there is an equality of competition, Synergy will remain the giant. It is the 400-pound gorilla. I am hoping that regulations come along that will allow that freedom of competition, so whether I pay Synergy 25¢ on peak or Hon Colin de Grussa 25¢ on peak, both of those will be allowable under the regulations. Again, I apologise; I am asking the parliamentary

secretary to leap forward and try to explain something more complicated. But are we likely to see that genuine level of competition, or is it the intent of the government to look after the government first and put that competition level second?

Hon DARREN WEST: Again, this bill is not really about technologies and potential energy transfer systems; it is about protection for consumers. In the case that the member talked about earlier, we cannot think of an example whereby someone would not need to distribute that energy through the network, so they would require an access agreement with Western Power.

Hon Dr STEVE THOMAS: I slightly disagree with the parliamentary secretary. The second half of the bill is about protection for consumers; I agree with that, and I think the reason I am not discussing that a great deal is I generally agree with it and I think it is relatively well written. Do not for a minute believe that I think it is unimportant; it is just that in terms of the debate, we are on a bit of a unity ticket on that. That is not as exciting. I like to find that we disagree and play that out.

The first half is inserting part 3A, “Registration framework for alternative electricity services”, so it is very much about the registration process and what might exist. I think the parliamentary secretary is right; I think that the operations of Western Power become absolutely critical in this, so the parliamentary secretary is right. I am agreeing with the parliamentary secretary. It is sometimes terrible to have to say that.

Hon Darren West: You’re making me quite nervous.

Hon Dr STEVE THOMAS: Yes. I think the parliamentary secretary is right in that one of the issues will be getting access to the distribution network. Unless someone builds their own distribution network in a microgrid, they will have to use the distribution network, and that is almost exclusively through Western Power, with a couple of small alternative private lines that run in places. As an alternative energy system is set up, does the government intend that Western Power will generally provide access at a cost or will it likely be restrictive on who else gets on the system? That process currently exists. Bluewaters power station, for example, enabled by the Labor Party, sells power to the Boddington goldmine. Some of that is in the Western Power distribution system. There are plenty of other private contestable sales. That contestable market starts as low as 50 megawatt hours, and plenty of businesses use more than that. It is distributed on the Western Power network, and Western Power obviously charges access fees for that. Synergy pays the biggest ones but other retailers pay, too. How does the government see that working for access for those much smaller grids? One issue will be that at the microgrid level access will be required even in moderate-sized schemes. Is Western Power on board to provide access to much smaller alternative energy services? How have they been assessed, and what information has Western Power given the government about this?

Hon DARREN WEST: Western Power was consulted. It did not really have a lot of input into the bill. There are a lot of embedded networks around that access Western Power’s network, like everybody else. The final point is that it will not change the connection regime at all.

Hon NEIL THOMSON: I refer to what the bill will do to provide opportunities for alternative energy suppliers in remote and regional Western Australia. In particular, I am thinking of a remote community or a small regional town deciding that it would like to own and operate an energy system, and there might be an opportunity to do so with renewable energy with some sort of backup system. I speak of this because exactly this sort of thing was contemplated by a local government because there was a possibility to provide a lot more affordable energy to that operated by Horizon Power. Will there be any scope in the regulations where there is a willing buyer and seller of energy to moderate what might be a complex situation of the government supplier, Horizon in this case, using its market power or some other mechanism to quash the alternative network in a remote or regional town?

The DEPUTY CHAIR: Honourable members, on that point, I think I might leave the parliamentary secretary to mull that question overnight and ask to report progress.

Progress reported and leave granted to sit again, pursuant to standing orders.