

**ELECTRICITY INDUSTRY AMENDMENT (ALTERNATIVE ELECTRICITY SERVICES) BILL 2023**

*Committee*

Resumed from 19 March. The Deputy Chair of Committees (Hon Stephen Pratt) in the chair; Hon Darren West (Parliamentary Secretary) in charge of the bill.

**Clause 1: Short title —**

Progress was reported after the clause had been partly considered.

**The DEPUTY CHAIR (Hon Stephen Pratt):** Members, before we begin, I draw your attention to issue 1 of supplementary notice paper 126. The question is that clause 1 do stand as printed.

**Hon Dr STEVE THOMAS:** My memory is that when we adjourned last night, Hon Neil Thomson had asked a question. I am not sure whether there is an impending answer to that, but I am happy to continue if one is not about to be delivered.

**Hon Darren West:** We might need a refresher of the question.

**Hon Dr STEVE THOMAS:** I might start while the refresher process goes on. As I said yesterday, I am extending the debate on clause 1 because, effectively, after clause 1, I might ask questions on clauses 4 and 5 and then I think I will be largely done. That is why I am a little focused on clause 1. The first lines of the second reading speech say —

The Electricity Industry Amendment (Alternative Electricity Services) Bill 2023 will create a framework that can extend enforceable protections and access to independent dispute resolution to customers receiving electricity supplies and services through emerging or atypical electricity business models. Most electricity customers purchase their electricity from a licensed electricity retailer.

Neither the second reading speech nor the explanatory memorandum goes into any detail of the alternative models that the government expects. I spent a bit of my second reading contribution talking about the alternative models that I think will develop over the next decade or so, but we have not had an outline of the alternative models that the government is preparing for.

Does the parliamentary secretary have any background or documentary support, or can he give us an outline of what the government is preparing for? I have put forward my outline and I am pretty confident that it is right, but the government might be in the process of getting it wrong, so I want to know what the government is aiming at in this process. We might find ourselves in furious agreement about what that looks like, but the government has not explained the alternative models that it sees likely being developed. We might just explore that for a little bit.

**Hon DARREN WEST:** That is a very good question, and we are going to work through this a little bit as we go. Predominantly, in the first instance, we will start with embedded networks and also the provision of onsite power supply services, whereby we buy just the service from a third party. We are out for consultation on some others, but those are the two that will perhaps kick things off.

**Hon Dr STEVE THOMAS:** My version of the future direction of this was a bit more expansive in where I think this is going to get to. I am interested to see that it will be a relatively modest and perhaps careful approach in the first instance to the targets that the government wants to reach.

We discussed embedded networks more in debate on the Electricity Industry Amendment (Distributed Energy Resources) Bill 2023 because that bill probably focused on it a bit more. It is interesting that that is one of the first targets of this piece of legislation. For members who are not across this, embedded networks exist within, let us say, a shopping centre that has a number of shops, and it has a network within a network and there might be a single point of entry to a supply and then there is subsequent diversion into a number of shops. My understanding is that the previous Minister for Energy gave a commitment a couple of years ago that the government would look at embedded networks because a number of shopkeepers found themselves at a significant disadvantage compared with those who were empowered by the supermarket. Effectively, the supermarket may have a deal with Synergy, for example, if that is the supplier, to provide energy at a certain price. Because the supermarket is a large purchaser, Synergy provides it a discount, but the supermarket does not necessarily provide that discount to the subsidiary shops.

The previous energy minister said that this issue would be addressed. Can the parliamentary indicate whether it will be? It probably does not really matter whether it is addressed under the auspices of the Electricity Industry Amendment (Distributed Energy Resources) Bill or the Electricity Industry Amendment (Alternative Electricity Services) Bill. Is this something that the government will address this year, because there will be an election next year and everything could change?

**Hon DARREN WEST:** We are trying to get people to work together and come to an agreement. This will allow people the opportunity to opt out of the embedded networks and have a Western Power or Synergy connection. Obviously, that will require some hardware and wiring and it may not be for everybody, but there will be the capacity

for customers to do so should they wish. That may be the anchor tenant in a shopping centre who may be able to get a better deal outside the embedded network. They will have that capacity. The idea is to get people to work together. There will not be tariff regulations, per se, but they will come under the auspices of government tariffs.

**Hon Dr STEVE THOMAS:** Thank you, parliamentary secretary. There are a couple of interesting things that I want to pin the member down on after that answer. Perhaps I am paraphrasing, but I heard the parliamentary secretary say that the government will act to allow, effectively, individual contracts to subsidiary businesses within an embedded unit. If that is the case, that is something the government sort of committed to a couple of years ago. If it is delivered, I will be pleased to see that. I will make sure that is exactly what the parliamentary secretary said.

The second component of my question is that the parliamentary secretary said “anchor tenant”. I want to see it apply to all the tenants, not just the anchor tenants. Could the parliamentary secretary clarify that for me as well?

**Hon DARREN WEST:** I used the words “anchor tenant” as an example. It would apply equally and all tenants would have that capacity. That answers the second part of the member’s question. It is not exclusive to anchor tenants; it will apply to everybody. I just used that as an example.

To answer the first part of the question, I have some notes here. Lessons learnt from other jurisdictions reveal significant difficulties and complexities in extending contestability to embedded network customers. Firstly, there are also additional barriers in Western Australia arising from acquiring and managing meter data from embedded network customers that meets the accuracy and verification requirements necessary for settlement in the wholesale electricity market. Secondly, due to these barriers, it is not intended initially that the alternative electricity service registration framework would be used to extend contestability into embedded networks. However, the AES registration framework is entirely consistent with extending contestability to embedded network customers in the future, and, by creating a mechanism by which enforceable regulatory obligations can be placed on embedded network operators, it would remove some, but not all, of the barriers to extending contestability to embedded network customers at a later date.

**Hon Dr STEVE THOMAS:** That was an interesting answer because, to some degree, it is the reverse of the answer the parliamentary secretary gave previously. I think we will now have to clarify an area of confusion. My understanding is that the previous minister said that embedded networks and access to that process would be addressed by the government. I think that the parliamentary secretary’s previous answer to me indicated that the government was interested in dealing with that issue. I actually understood the answer to be that the government would deal with that, which is why I pushed the parliamentary secretary to provide some clarification.

I think that the answer the parliamentary secretary read out that was provided to him by his advisers is the reverse of the answer that he gave before that. I am glad that he did it because I think this is a really important issue that we need to clarify. That answer could have been written by Sir Humphrey perfectly well. The first answer was, “Yes, we will try to address some of the unfairness in the system whereby a shopping centre owner would keep any discounts for themselves and not pass that on to the tenants.” The second answer—the Sir Humphrey answer—appears to say that although that might be a good idea, here are all the reasons why it is very difficult to deliver and potentially we will not deliver it. That is a little bit confusing for how we debate this bill. Obviously, this will be done by regulations because the bill itself will not empower the embedded networks down to that level. Tenants will have the capacity to access all the various discounts that might be available.

The member is the parliamentary secretary and his minister is in charge. This is not the parliamentary secretary’s fault, but I think he just told us that although the previous minister suggested that the government would address this issue, the Sir Humphrey response, which was beautifully written by whoever wrote it, by the way, is that it is all a bit too hard and do not expect it any time soon. I understand that it is not easy and that it is potentially difficult. Those who have a financial advantage now, particularly shopping centre owners, are probably likely to be quite resistant to passing on the potential discounts. Where the outcomes get interesting is when there are franchises. We are getting close to question time, so I do not expect the parliamentary secretary to jump up because I think I will get us to question time. A franchisee in a supermarket shopping centre negotiates with the shopping centre owner and the franchise about what sort of power price the franchisee will ultimately pay. Will they get the advantage of an embedded network or not?

I was highly excited for a minute because I thought that the parliamentary secretary said the government would live up to its commitments or the intention of the previous Minister for Energy that the government would deal with embedded networks and provide a degree of fairness. I think that the Sir Humphrey answer we were just given took the legs out of that argument with a good old-fashioned rugby tackle. I understand that it is hard and that it is reasonably difficult to deliver. Once we get past question time, I will be interested to know what the government’s intention is. I understand that it is difficult. We have *Hansard* to record what the parliamentary secretary said. I do not know whether the parliamentary secretary is in a position to table the advice that he read out in his answer. I am interested in the government’s intention. Does the government intend to allow the embedded network issue to be dealt with, as in the parliamentary secretary’s first answer?

**Committee interrupted, pursuant to standing orders.**

[Continued on page 1124.]