

28 March 2002

Professor Peter Newman
Director, Sustainability Policy Unit
Policy Office
Department of the Premier and Cabinet
15th Floor, 197 St George's Terrace
PERTH 6000

Dear Professor Newman

Perth Energy welcomes the opportunity to provide comment on "*Focus in the Future: Opportunities for Sustainability in Western Australia*".

We recognise that more sustainable use of energy is critical to the overall goal of achieving a sustainable community. Perth Energy is an independent electricity business brokering and retailing supply to contestable customers under the electricity network open access regime. We act as retail agent for Landfill Gas and Power, the only independent renewable energy supplier in the South West Interconnected System (SWIS) of WA, and are working at assisting other independent proponents of renewable energy projects to come into the market.

How to make renewable energy a reality in WA?

Under "Economic Strategies for sustainability" (Box 3) the above paper asks:

Western Australia has vast renewable energy resources. What needs to happen to develop a world leading renewable energy sector in the state?

Perth Energy has stated its views on this question, and the broader issue of energy efficiency, in a number of recent forums. I would refer you to the Renewable Energy page on Perth Energy's website (<http://www.perthenergy.com.au>), as well as (<http://www.ipag.com.au>), the website of the Independent Power Advisory Group (IPAG), of which Perth Energy is Chair. IPAG has made a detailed submission to the Electricity Reform Taskforce (ERTF) in November 2001, which in part looks at how to increase the use of renewable energy and overall efficiency in the state. (<http://www.perthenergy.com.au/IPAG%20Frontpage.html>).

The State Government formed the ERTF in August 2001 to undertake a comprehensive review of the WA electricity market. The ERTF has the opportunity to shape the direction of energy policy in WA for many years to come and its recommendations, if endorsed, will play a critical role in enabling WA to develop a viable and vibrant renewable energy industry. Perth Energy has been an active participant in the ERTF's consultation process.

The ERTF's interim report is due in early April and the final report in September 2002.

In December 1999 the previous state government launched a green power policy. In October 2000 an electricity network open access threshold for renewable power of 300,000 kWh was launched. The threshold was lowered to 50,000 kWh on 1 January 2002. This means currently, electricity users with an average demand of 34kW – the size of a small shopping complex – are legally able to choose their own renewable supplier other than Western Power. Despite these supposed reform steps, there has been a dearth (especially in comparison to the eastern states) of independent renewable projects on the drawing board (besides those directly linked to Western Power). In terms of actual new renewable projects coming on stream, there has been none.

Perth Energy has long made our view known that the existing vertically integrated structure of Western Power prevents the emergence of a vibrant renewable energy sector in WA. Because network open access is developed and administered by Western Power networks division, which answers to the same Executive and Board as other Western Power divisions, the conflict of interest is overwhelming. There is no reason to expect Western Power network to assist independent projects coming on stream when Western Power carries its own renewable energy project development businesses.

Eliminating this fundamental conflict of interest by vertically disaggregating Western Power is a proposal that is overwhelmingly endorsed in public submissions to the ERTF in December 2001 (please refer the ERTF's website). Only this reform step can herald the beginning of a new era in which the private sector and community at large will contribute to their optimal capacity to renewable energy development in WA.

Perth Energy congratulates the government on its recent establishment of the Sustainable Energy Development Office (SEDO), however it notes that most of the Major Projects listed on its website are those instigated or directly supported by Western Power, despite the industry being deregulated more than 18 months ago.

I note that Western Power's Albany Wind farm and Oil Mallee Project are highlighted as examples of sustainable power in your discussion paper. It is Perth Energy's view that the current discriminatory application of network access regulations has effectively allowed Western Power to install new renewable energy capacity of its own. This discrimination can be confirmed with the Sustainable Energy Industry Association (SEIA). SEIA has recently written to the Deputy Premier and Minister for Energy, the Hon. Eric Ripper, highlighting this fact.

The result of the unworkable access regime for independent renewable energy projects is that the limited projects directly installed by Western Power can be costly and inefficient due to the lack of competition. This high cost structure in turn discourages community support for renewable energy. This demand dampening effect of the current industry structure, in parallel to its supply dampening effect outlined above, effectively stifles the development of many innovative and valuable projects in WA.

The ERTF and in turn the State Government will have the opportunity this year to support the reform needed to unleash the creative energy of independent power producers in WA. *"The Task Force will ...ensure there are opportunities for renewable energy generators in a competitive market."* (http://www.oee.wa.gov.au/html/energy_policy___programs.html)

The broader State Government goals for the electricity market are stated under the ERTF objectives, <http://www.ertf.energy.wa.gov.au/tor.htm#Objectives>).

Improving the economic efficiency of the electricity market will improve the energy efficiency of the power supply, as new efficient plant displaces older, more polluting and more expensive plant. Your consultation paper recognises the role gas can play as a transition fuel. Whether it does so, and how soon, greatly depends on the reform recommendations being implemented by Government. Reform will be critical for WA taking a step change towards achieving a sustainable energy industry.¹

I understand that the Sustainability Policy Unit proposes to hold seminars on a range of topics. If you decide to hold any on sustainable energy, Perth Energy, as Chair of IPAG and a member of SEIA, would be pleased to assist with material. Our perspective is that of a group of diverse and concerned entities wishing to see a local sustainable energy industry develop to its full potential.

For WA's energy supply to become sustainable, innovative energy projects must move from academia and state funded projects – with their high probability of becoming stranded assets – to the mainstream market. Unless this transition is made, there will be no hope of mobilising widespread community support for sustainable energy.

If sufficient reform takes place, sustainability will be a realistic goal. We ask that the Sustainable Policy Unit support the reform process being undertaken.

Please feel free to contact me if you wish to discuss any of these issues further.

Yours sincerely and best wishes

KY CAO
MANAGING DIRECTOR

¹ There is no need for Government to specifically favour one type of fuel over another. The key is to set standards on outcomes. If Government sets policy based on desirable emissions outcomes, a competitive market will find the most efficient and effective ways – whether in fuel or technology or other means – to deliver those outcomes. Example: cars cause emissions; instead of banning cars or certain fuel or components used in cars, Government sets standards on low emissions for cars; competitive industry delivers low emission cars.