



Alistair Butcher
A/ Director Electricity Access
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH 6000

9 November 2005

Dear Mr Butcher,

RE: Western Power Corporation (WPC)'s Proposed Access Arrangements

The Conservation Council of Western Australia (CCWA) and the Australian Conservation Foundation (ACF) welcome the opportunity to provide input to the Economic Regulation Authority (ERA) regarding WPC's proposed access arrangements for the South West Interconnected System (SWIS).

The *Electricity Networks Access Code 2004* ('the Code'), while insufficient from an ecologically sustainable development point of view in some regards, nonetheless includes measures, such as the Regulatory Test that seek to provide outcomes that are economically efficient and environmentally sound.

From an environmental point of view, an access regime must strive to achieve the following, without compromising the safety of the system and while providing an appropriate level of reliability:

- Facilitate the uptake of renewable energy generation;
- Seek energy efficiency and distributed generation outcomes in preference to network augmentation;
- Reduce transmission and distribution losses as much as possible;
- Not create bias towards coal and gas-fired generation;
- Not entrench bias towards centralised power generation.

The Western Australian stationary energy sector¹, emitted 34.5Mt of CO₂ in 2002, the equivalent of 49% of Western Australia's total emissions that year². Emissions associated with electricity generation are expected to increase from 19 Mt CO₂-e per annum in 2002 to 24 Mt CO₂-e in

¹ The 'Stationary Energy' sector is mainly greenhouse gas emissions from the production of electricity and other direct combustion of fossil fuels in industry such as manufacturing and construction.

² State and Territory Greenhouse Gas Emissions – An Overview, Department of Environment and Heritage (Australian Greenhouse Office),
www.greenhouse.gov.au/inventory/stateinv/pubs/stateoverview.pdf

2020, an increase of 26%³. Australia-wide, the electricity system is characterised by significant energy losses, with only about 15% of primary energy supply ultimately being useful⁴. WPC's transmission and distribution losses are around 7-12%⁵. It is crucial in developing a restructured electricity system that the long-term requirements to reduce greenhouse emissions from the sector are borne in mind and that the networks system is as efficient as possible.

Effective application of the Code through, for example, ensuring access for renewable energy generators, and ensuring that the Regulatory Test is applied to all proposed new investments, can go some way towards achieving this.

Western Power Corporation's Access Arrangements must comply with intent of the *Electricity Networks Access Code 2004*

The CCWA and the ACF have insufficient resources to undertake a comprehensive review and analysis of WPC's proposed access arrangements. The CCWA and the ACF participated in the consultation process of the development of the Code and consider that the ERA must take into account the fact that stakeholders do not have the resources to engage fully in each part of the electricity reform process. Therefore, it is necessary that stakeholders have confidence that any deviations from the Code, whether in access contracts, queuing and standby arrangements or any other area, do not deviate in any way from the spirit or intent of the Code, or allow substandard environmental or social outcomes.

In particular, the continuation of barriers to entry that small generators, particularly renewable energy generators, have experienced would be contrary to the Code objective (Section 2.1) "...to promote the economically efficient:

- (a) investment in; and
- (b) operation of and use of, networks and services of networks in Western Australia in order to promote competition in markets upstream and downstream of the networks."

If WPC's proposed alterations in any way limit or remove a small potential market entrant from participating, whether for financial or other reasons, then they must be disallowed to avoid the objectives of the Code being compromised.

If a proposed deviation from the Code is such that it is likely to disadvantage either small distributed power generators, renewable energy generators, or reduce opportunities for energy efficiency opportunities then specific, targeted consultation must be undertaken, with the provision of adequate support (through briefing papers etc) and resources to enable affected and interested stakeholders to effectively participate.

As it stands, the consultation process is exclusive, complex and creates a disincentive for interested stakeholders and community members to participate due to having insufficient resources or understanding of the issues and the long-term implications of the decisions being made.

³ Stationary Energy Sector Greenhouse Gas Emissions Projections 2004: Projections from the MMRF-Green Model, Report by the Centre for Policy Studies to the Australian Greenhouse Office (2004) page 52.

⁴ CSIRO Energy and Transport Sector Outlook to 2020 (2004) page viii

⁵ Western Power Corporation Annual Report 2004/05 page 11, Western Power Corporation Annual Report 2003/04 page 29.

Standard Access Contract

There are several differences between the Model Standard Access Contract and WPC's Electricity Transfer Access Contract (ETAC) and Connection Access Contracts (CAC) that the CCWA and the ACF consider have the potential to undermine the access opportunities of small renewable energy generators.

One of the purposes of providing a Model Standard Access contract was to provide a level playing field for smaller generators in accessing networks. While WPC states that it is "exploring the possibility of developing a "lite" form of the contract that might be more appropriate for small, independent generators," that is an insufficient guarantee that small generators will have the resources to fully understand and comply with the proposed Standard Access Contracts.

The Regulatory Test

The CCWA and the ACF are concerned that the potential exists for WPC to include future investments in the capital base rather than undergoing the Regulatory Test for distribution and transmission augmentations. The Regulatory Test has been included in the Code in order to ensure that network augmentation is undertaken only where distributed generation and energy efficiency options have been explored and found to have lower benefits than the augmentation option.

WPC has obtained a Government commitment to funding \$2.3billion of OPEX and CAPEX over the next four years. Allowing WPC to evade the Regulatory Test for this and other expenditure in the initial phases of the application of the Code has the potential to undermine its effectiveness and could result in substantial opportunities for renewable energy, energy efficiency and distributed energy alternatives being lost, with long term consequences. The ERA must ensure that only planned augmentations for which proof can be provided that legally binding contracts exist, and that predate the date of the implementation of the Code, are allowed to avoid the scrutiny of the Regulatory Test.

In closing, the CCWA and ACF would like to draw the attention of the ERA to the fact that the community and environmental sectors do not have the resources to engage in a meaningful manner in the many of the processes associated with the electricity reform process. Inevitably this will result in substandard social and environmental outcomes. As you would be aware, an Advocacy Panel of the National Electricity Code was established in 2003 to grant funds to representatives of domestic and business electricity customers for advocacy on the development on the National Electricity Code and the national electricity market. As Western Australia's electricity reform processes are separate to the national electricity market, failure to provide funding to resource advocacy in Western Australia discriminates against stakeholders in Western Australia.

Yours sincerely,

Tristy Fairfield
WA Greenhouse Campaigner
Australian Conservation Foundation (ACF)
Conservation Council of Western Australia (CCWA)