

28 October 2021

By email to: energytransformation@energy.wa.gov.au Energy and Governance Legislation Reform

Thank you for the opportunity to provide comment on the Consultation Paper relating to Energy and Governance Legislation Reform – Project Eagle. As a significant player in the Western Australian market Perth Energy has a keen interest in seeing developments that facilitate long term benefits for both electricity and gas customers. We are therefore pleased to provide this response to the Paper and look forward to providing constructive input as the various process steps are undertaken.

1. General Comment

Overall Perth Energy supports the thrust of the proposed reforms. As outlined in the Paper, many of the regulatory mechanisms were put in place at a time when the market structure was based around central power generation with transmission and distribution supplying electricity unidirectionally to customers. In addition, some would have been developed when the integrated SECWA - Western Power was virtually the sole provider of electricity services with only very limited private industry participation. It is therefore appropriate that a full legislative review be undertaken.

Perth Energy agrees that it is an appropriate time to make changes to ensure that deficiencies are addressed so that the challenges and opportunities presented by the energy transformation process can be grasped. The general approach proposed in developing the proposed Energy Rules – Western Australia appears sound.

A number of specific matters are addressed below.

2. Market and legislative Objectives

Perth Energy supports the establishment of an overarching objective for the electricity industry. Our preference is for this to focus heavily on the needs of consumers for reliable, affordable electricity which includes appropriate consumer protection. We note, too, the strong emphasis coming through from many of our customers for actions that reduce greenhouse gas emissions so we support the potential inclusion of environmental objectives. We note, though, that this may well conflict in some measure with the desire to drive down costs.

Affordability was one of the key pillars of electricity reform in WA but it seems to have been lost in the drive to ensure that the lights are kept on. We consider that this needs to be given a much stronger emphasis in the future and it is of considerable concern that several factors appear to be working against this. Of immediate concern are the substantial cost increases proposed by AEMO through the AR6 process and the level of subsidies being granted to Synergy. We would not want to see these proposed legislative changes result in even higher administrative costs being passed through to customers.

3. Innovation

The paper shows a commitment to encouraging innovation and we note the work being done through Project Symphony and the Distributed Energy Roadmap to ensure that the power system can adequately accommodate ongoing technology change. We support this but are concerned that there are significant barriers in the market that prevent competition developing in a manner that will drive innovative solutions for the bulk of customers.

Western Power and Synergy have been encouraged to undertake various trials that support the power system and provide novel arrangements for customers. We fully understand that Government needed a mechanism that would allow measures to be taken quickly to minimise risks to the power system. However, it is appropriate that private industry now be given a chance to enhance this work, especially as companies such as AGL, the owner of Perth Energy, have strong, appropriate experience gained from operation of VPPs and similar in the National Electricity Market (NEM). If customers are to gain the full benefits from behind-the-meter systems, and if these systems are to provide real benefit to the overall electricity system, there needs to be effective competition. We consider that benefits will be limited if Synergy is permitted to be the sole provider of these services.

Getting substantial benefit from the DER Roadmap may also require a review of the commercial arrangements between customers, their suppliers and the distributor (Western Power). In the NEM customers have a direct relationship with their distributor whereas in the WEM this relationship runs through the retailer. EPWA should consider revisiting the current arrangement and reviewing whether the commercial arrangements in the NEM should be adopted for WA

4. Proposed change to contestability arrangements

Under “Other Matters” there is a proposal to change the contestability orders such that reference is to *supply points* rather than to *customers*. We understand that this relates to customers who have one or more sites drawing more than 50 kWh per year being able to have contestable supply to all their sites. We see any such change as a retrograde step.

Synergy has competed for these customers and lost, the customers having elected instead to use an alternative supplier for a mix of commercial and non-commercial reasons. To now force some of these supplies to be taken back by Synergy will clearly disadvantage these customers through the loss of commercial benefit as well as the administrative cost of now using two suppliers rather than one. Perth Energy has at least one customer where a substantial number of meter points would need to be transferred to Synergy causing a significant commercial disadvantage to the customer.

This contestability arrangement was in place with the top-up-and-spill mechanism years before the start of the WEM. It seems incredibly strange that a change that disadvantages customers and causes such resentment would be put forward as a serious proposal.

5. Customer Protection

Perth Energy supports the moves to ensure that all customers remain well covered by appropriate protection mechanisms. This will be particularly necessary within any micro-grid arrangements whether these be isolated systems or connected systems such as blocks of flats. We understand, also, that the behaviour of behind-the-meter providers in the NEM has at times been questioned. The Economic Regulation Authority has worked hard to align the obligations for supply of gas and electricity to small use customers but bringing these obligations into a single set would be good.

6. Final comments

This is a good proposal that will bring the energy legislation to an appropriate level for the developing industry. We suggest that there are several other areas within the industry that could also be reviewed as part of this overall approach.

For example, given the need to optimise the planning of generation and transmission systems, as noted in the paper, would it be more appropriate for network planning to be undertaken by AEMO, or by EPWA through the Whole of System Plan? Western Power would then be the network provider and operator.

Also, what is the appropriate role for Synergy moving forward? With its generating capacity reduced by the closure of older coal fired plant, and potentially older gas fired plant, should Synergy focus just on the non-contestable market?

As small use customers become more market-savvy, and acquire the means to participate more fully in the market, should they be forced to stay with Synergy or be allowed to switch to another, perhaps more innovative provider?

Should you have any questions in respect to this submission please do not hesitate to contact me on 0437 209 972 or at p.peake@perthenergy.com.au.

Yours sincerely,

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