

Electricity reform agenda gathers pace: ERTF establishes Working Groups

The four-member Electricity Reform Task Force released its first discussion paper on the reform of the Western Australian electricity market in mid November 2001. The discussion paper is available from the Task Force's website (www.ertf.energy.wa.gov.au).

Task Force Chairman John Hyslop said the discussion paper raises key issues in relation to the deregulation of the State's electricity market and asks for submissions in writing from stakeholders to be put forward by mid December 2001.

The discussion paper — "Background Paper on the Reform Process" — provides an overview of the current electricity supply industry in Western Australia and discusses reforms with specific reference to:

- the design of the electricity market to be established in WA;
- the extent and timing of the disaggregation of Western Power;
- the creation of a WA Electricity Code; and
- licensing and other regulatory arrangements.

Mr Hyslop said the main objective of these reforms would be to achieve, where practicable, sustainable lower electricity prices for all customers. This needs to be achieved while maintaining the uniform tariff for residential and small business customers, and ensuring adequate reliability, security, quality and safety of electricity supply.



Task Force Chairman John Hyslop

In reviewing the State's regulatory arrangements, Mr Hyslop said the fundamental objective would be to protect the interests of all consumers.

"The aim of this first consultation paper is to promote discussion of the key issues and to give stakeholders an opportunity to advise the Task Force of their

opinions, concerns and expectations in re-gard to the future make-up of the State's electricity market," Mr Hyslop said.

"One of the most important steps to reducing delivered electricity prices will be the development of a competitive, lower cost electricity generation sector. That is generally understood, but what the Task Force has to advise Government is how we think that can be achieved."

Mr Hyslop said the Task Force would also take into account opportunities for the reduction of greenhouse gas emissions.

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“The Government considers the role of renewable energy to be an important consideration for any revised market arrangements and this aspect will be addressed in the review process.

“The Task Force will also look in detail at the experiences of energy deregulation in other jurisdictions to help design market solutions that best fit the local industry conditions and community needs,” he said.

Four working groups have been established at this stage, to assist the Task Force address its Terms of Reference. Membership of the working groups has been drawn from Government, the utilities and industry. Other working groups may be established in future to address specific issues. The membership and chairing of any such additional working groups would be considered at that time.

Other key issues on which the Task Force will make recommendations to Government include:

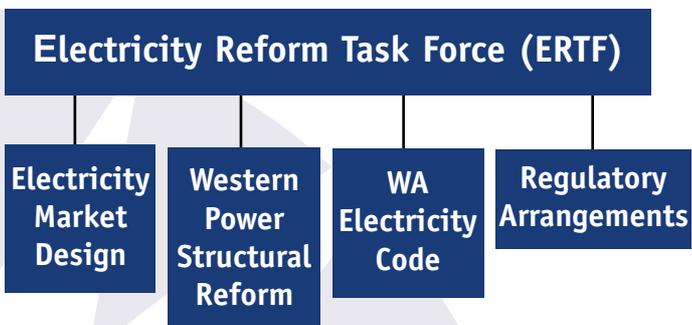
- the optimum method for funding the losses incurred in providing the uniform tariff;
- the development of a “Charter of Good Practice” for electricity retailers; and
- the creation of an Energy Ombudsman.

“The Task Force anticipates an ongoing consultation process including the release of further discussion papers around March 2002,” Mr Hyslop said.

The Task Force has recently appointed Bob Bosler as Project Manager. Mr Bosler has extensive experience in electricity reform and implementation of retail competition in NSW. He will coordinate the activities of the Task Force and is the first point of contact for anyone wishing to make a submission. He can be contacted at the Task Force on (08) 9420 5750 or bob.bosler@ertf.energy.wa.gov.au

The Task Force is required to present its final recommendations to Government in the third quarter of 2002.

The Current Working Groups of the Electricity Reform Task Force



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Ministerial Foreword

There have been a number of significant milestones achieved in the energy industry since you received the last edition of Energy News. In September, the Energy in WA Conference brought together key stakeholders across the energy industry to discuss issues relating to greater market diversity and competition.



Eric Ripper
Minister for Energy

The Electricity Reform Task Force has established four working groups to assist the Task Force to address its Terms of Reference. The working groups will consider issues and develop possible solutions for future electricity market designs in WA, structural changes to Western Power, the content of an Electricity Code, regulatory matters and full retail contestability. All stakeholders will have an opportunity to present their concerns and expectations for the future make-up of the State's electricity market. The Task Force will report to Government in the third quarter of 2002 with regards to a Western Australian market that delivers sustainable lower electricity prices for all customers.

The number of customers with the opportunity to choose their electricity supplier is continuing to be expanded. On 1 July 2001 an additional 330 customers became contestable in the WA electricity market – those who consume between 2,000 MWh per annum and 8,760 MWh per annum. This will provide greater opportunities to independent power providers across the State and encourage new players into the market.

Also, I have put in place a new access order that from 1 January 2002 allows customers who consume more than 50 MWh per annum of electricity, generated from renewable sources, to use Western Power's electricity networks to obtain this electricity from the supplier of their choice. This will make some additional 12,000 customers contestable for renewable energy supply and encourage the further development of the renewable energy industry.

In the gas area too, greater competition from 1 January 2002 will mean businesses that consume more than one terajoule per annum can choose an alternative gas retailer. When full retail

contestability is introduced, household gas customers will be able to switch gas supplier.

For the Mid West region, an agreement has been signed between Western Power and StateWest Power for the supply of lower cost electricity. The deal means the installation of new, efficient, small-scale diesel-fired power stations supplying Meekatharra, Cue, Yalgoo, Wiluna and Sandstone, and a gas-fired power station at Mt Magnet on a site adjacent to StateWest Power's new Hill 60 power facility.

In the Kimberley the Government has engaged Hydro Tasmania to conduct a feasibility study into tidal power at Derby. Subject to the study's outcomes and confirmation of significant Commonwealth Government financial support for a tidal project, a tender process for a tidal facility in the Derby area would commence in 2002.

Over recent months more than \$1.5 million in rebates has been committed under the Remote Area Power Supply (RAPS) Programs to support people in off-grid areas of WA. The RAPS Programs provide rebates of 55 per cent of the cost of renewable energy systems serving off-grid households, businesses and communities. Combined State and Federal funding of up to \$5 million per year is available from 1 July 2001 to 30 June 2005, with individual rebates up to \$550,000. Support from the Federal Government means that in total around \$85 million will be available over four years under the Renewable Remote Power Generation Program for RAPS and other renewable energy projects which replace diesel generation in off-grid areas of WA.

The State Government is committed to energy reform and already a great many positive steps have been taken to deliver greater choice to the WA energy market. As well the Government is determined to ensure that high priority is given to renewable energy and equitable access to power services. I look forward to bringing you more news of industry reform and development in the future.

A handwritten signature in black ink that reads "Eric Ripper".

Independent oversight in place for power procurement

The Western Australian Government has appointed Bill Heron as the independent person designated to oversee Western Power's public power procurement process.

Mr Heron is currently a director of the WA Treasury Corporation and the Government Employees Superannuation Board. Since

his retirement in October 1995, Mr Heron has worked as a consultant with a national firm of chartered accountants.

Major assignments carried out by Mr Heron as Deputy Under Treasurer prior to his retirement included participation in the restructuring of SECWA and the formation of Western Power and AlintaGas. Mr Heron was the senior Government officer on the Carnegie Committee and subsequently a member of, and later Chairman of the Energy Implementation Group.

His appointment follows the July 2001 announcement in Collie by Minister for Energy Eric Ripper that the Gallop Government had revamped plans for a tender process to meet future electricity needs of Western Power and industry consumers.

The tender process is Western Power's responsibility and Mr Heron will scrutinise the process and report directly to the Minister to ensure it is handled in a fair and equitable way.

A key objective of Western Power's public power procurement process is to minimise the costs for Western Power and its customers. The successful proposal should deliver the best commercial outcome.

Western Power has advised that its analysis shows that over the next five years base load generation capacity will not be required in this first stage of the power procurement process. This is due primarily to the slow base load growth, Western Power's existing plant portfolio, including the new Cockburn #1 plant at Kwinana, and existing coal contracts.

One of the first priorities of the Independent Person is to verify, and advise the Minister for Energy on, the generating capacity (including the type of plant) required through the public power procurement process and the timetable for the process.

To conduct the necessary verifications and prepare his advice in this respect the Independent Person has secured the assistance of a specialist expert, independent from both Western Power and other parties with commercial interests in the process.

As part of its work, the Electricity Reform Taskforce will consult with Mr Heron concerning Western Power's power procurement process and its likely impact on competition in the future electricity market.

For further information please contact Dora Guzeleva at the Office of Energy (08) 9420 5617 or email dora.guzeleva@energy.wa.gov.au

Renewable energy rebates pass \$1.5 million mark

In only four months more than \$1.5 million in rebates has been committed through the Remote Area Power Supply (RAPS) Programs to help people in off-grid areas of WA install renewable energy power systems.

The RAPS Programs provide rebates of 55 per cent of the cost of renewable energy systems serving remote households, businesses and communities. Funding of up to \$5 million per year is available from 1 July 2001 to 30 June 2005 with individual rebates of up to \$550,000.

Of the \$1.5 million, \$1.25 million has been committed for renewable energy systems serving businesses in remote areas, including pastoral stations and tourist operations. Rebate amounts of \$132,000 and \$126,000 have been committed for household and Aboriginal community applications respectively. Planned installations from the approved projects include 81 kilowatts (kW) of photovoltaics (PV), 7 kW of wind turbines, 255 kW of inverters and 2610 kilowatt-hours (kWh) of batteries.

The largest system proposed so far is for a remote eco-tourist facility and will incorporate a 40 kW inverter and 8 kW of PV.

Office of Energy Director of Energy Innovation, Dr Mary Dale, said the RAPS Programs are supported by \$18 million in Commonwealth funding via the Renewable Remote Power Generation Program (RRPGP), and \$2 million in State funding over four years.

RRPGP funding is also available for large renewable energy projects, each having a value in excess of \$1 million, which replace diesel generation in off-grid areas. An estimated total of \$85 million in RRPGP funds will be available to WA from 2000/01 to 2003/04, and most of this will be used to support large projects.

For further information contact Evan Gray at the Office of Energy on (08) 9420 5610 or email evan.gray@energy.wa.gov.au

Progress on regional power procurement

Independent power producers are changing the face of power generation in regional Western Australia.

The Regional Power Procurement Process (RPPP) is clearing a path for the introduction of independent power producers (IPPs) into the State's electricity market. The Regional Power Procurement Steering Committee has established a working group comprising representatives of the Office of Energy (OOE) and Western Power to help guide the process and negotiate agreements with the Preferred Bidders.

The Coordinator of Energy Dr Les Farrant said that during tender evaluation bidder proposals were scored on their economic and community benefits to the State, as well as other criteria.

"At the time of signing the Power Purchase Agreement with Western Power, the proponent reaffirms their community benefits commitment and enters into a written agreement with the State," Dr Farrant said.

Queensland retreats from full retail competition in electricity

The Queensland Government has recently announced that it will not proceed at this stage with the introduction of full retail competition (FRC) in that State's electricity market.

While the Queensland Government had successfully introduced competition for large commercial and industrial customers, it has not been successful so far in developing an FRC model that produces overall benefits for all small use consumers. The Queensland Government is to review its decision regarding FRC in two to three years.

Queensland Premier Peter Beattie said FRC would lead to electricity price rises for "thousands of Queensland households". The decision not to proceed followed the receipt of an independent analysis that indicates FRC in Queensland could treble tariffs in some regional and remote areas. The Queensland Government has declined to make the independent analysis publicly available at this stage.

According to a Queensland Treasury report, the independent analysis by PA Consulting has shown that domestic customers in 10 out of 12 regions of Queensland would pay up to three times more if prices were deregulated on a model that does not ensure the delivery of uniform tariff outcomes. Further, two of Queensland's most populous regions would enjoy cheaper electricity under deregulation. One of these markets is southeast Queensland, which takes in metropolitan Brisbane and services almost two-thirds of the State's population. According to the Treasury report, consumers there could have at least \$20 a year taken off their bills.

The Queensland Government decided to retain uniform tariffs for small use domestic consumers, in line with its stated belief that "no Queenslanders should be disadvantaged simply because of where they lived".

Commonwealth competition payments to Queensland, understood to be worth up to \$150 million, are seen to be at risk as a result of the FRC decision.

As a next step, the Queensland Government has sought further analysis on the extension of retail competition to small business customers (100-200 MWh per annum).

It is noted that Western Australia's market deregulation is as yet limited to power consumers well above this level with, for example, commercial and business consumers above 300 MWh per annum not being contestable until 1 January 2003.

The Queensland Treasury report entitled "Report on the Review of Costs and Benefits of Full Retail Competition in the Queensland Electricity industry" is available on the web at www.energy.qld.gov.au/electricity

Community benefits may include providing employment and training opportunities for local residents, purchase of goods and services within WA, development of new infrastructure, and expanding the use of cheaper fuel sources such as LPG and natural gas in regional areas.

Mid West

An agreement has been signed between Western Power and StateWest Power for the supply of lower cost electricity in the Mid West region. The deal is worth \$60 million over 10 years. A natural gas-fired power station will be constructed at Mt Magnet on a site adjacent to StateWest Power's new Hill 60 power facility. In addition, StateWest Power will build small-scale diesel-fired power stations supplying Meekatharra, Cue, Yalgoo, Wiluna and Sandstone.

The StateWest Power diesel power stations will also be able to substitute a portion of the diesel with natural gas or LPG and StateWest Power has committed to increasing the use of these fuels when economical.

Continued overleaf



Outdated diesel power units will be replaced as part of the remote community pilot project in the Kimberley.

While the cost of providing power to these regional towns will still outstrip revenues for Western Power, the deal will deliver estimated savings of up to \$8 million (in year 2001 terms) over the 10-year contract period.

West Kimberley

Hydro Tasmania is conducting a feasibility study of tidal power options for the supply of electricity to Western Power in Derby. Subject to the outcomes of the study – due for completion by the end of 2001 – a tender process for a tidal power facility in the area may commence in early 2002.

Arrangements for new private generation in the West Kimberley have been delayed. Energy Equity Corporation/Woodside Energy Ltd missed the target to achieve conditions precedent by 29 September 2001, resulting in Western Power terminating the Power Purchase Agreement with them on 19 October 2001.

When Hydro Tasmania's report and advice from the Commonwealth Government on funding has been received, the State Government will consider the most appropriate way forward for securing new power options for the region.

Western Power has given assurances that supply to its customers in the region will not be disrupted in the meantime.

Esperance

Negotiations are well advanced with the Preferred Bidder — Burns and Roe Worley (BRW) — for a 23 MW natural gas-fired power station to deliver electricity to Western Power in Esperance. The power station will be built on land located at the Esperance Port Authority. As part of the proposal, a new 150 mm diameter, 320 km natural gas pipeline will be built from Kambalda to Esperance in a commercial venture by a separate pipeline owner in association with BRW.

Exmouth

Bids for IPP delivery of power to Exmouth and the optional towns of Marble Bar and Nullagine in the Pilbara are now being evaluated. Fuels proposed by the four submissions include natural gas, fuel oil, diesel and LPG/propane.

Power from the successful tenderer will be supplemented by electricity generated from a 75 kW windfarm planned for the area by Western Power.

Remote communities

The Office of Energy is conducting a pilot project to find suppliers to generate, deliver and retail power to three Aboriginal communities in the Kimberley. If successful, the trial will be extended to larger remote communities throughout the State. Tenders will be opened shortly to supply power — including elements of renewable energy — to Bidyadanga, Warmun and Wangkatjungka.

The move follows an arrangement between the State and Commonwealth Governments that will see WA take on greater responsibility for essential services in large, permanent, remote Aboriginal communities.

"The aim of the pilot project is to deliver a cheaper, more reliable power service to remote areas comparable to other towns of similar size and location currently serviced by Western Power," OOE Senior Manager John Filippone said.

For further information please contact John Filippone at the Office of Energy on (08) 9420 5644 or email john.filippone@energy.wa.gov.au

New access regime for smaller users

As a result of the Triennial Review of pricing and pricing methodology for access to Western Power's transmission and distribution networks, the pricing methodology was changed from a revenue capped approach to a price capped approach known as "average revenue yield". This new methodology provides incentives for Western Power to invest in longer term improvements in its infrastructure and operations and so drive the price of access down over time in real terms.

This incentive-based access regime was developed with an understanding that an independent electricity access regulator (or independent economic regulator) may review and oversee its application at any time before the prescribed, three-year regulatory period had expired.

At the Energy in Western Australia Conference 2001, Coordinator of Energy Dr Les Farrant announced completion of the Review for the South West Interconnected Network and told delegates that "the regime has been altered to bring it closer into line with incentive-based regimes elsewhere."

Dr Farrant said, "the regime is designed to provide real reductions in average access charges. Western Power has committed to a three percent per annum reduction in real access prices over the three year regulatory period."

In anticipation of the eventual introduction of full retail contestability in electricity supply in Western Australia, prices for use of Western Power's electricity networks have been developed

for all levels of electricity consumption. These prices apply to all users of Western Power's networks including Western Power's retail business. Currently private industry can use Western Power's South West Interconnected Network to supply loads of more than 2,000 MWh per annum (average annual load of around 230 kW), unless they are supplying electricity generated from renewable energy sources in which case, loads down to 300 MWh per annum (annual average load of approximately 34 kW) can be supplied, reducing further to 50 MWh on 1 January 2002. These levels for access by private industry are scheduled to progressively fall to the residential level by 2005.

Dr Farrant also said that users supplying smaller loads on the South West Interconnected Network will be receiving invoices reflecting the new regime soon after the end of September 2001.

However, access prices for currently contestable loads that consume more than 8,760 MWh per annum will be frozen at the current revenue capped prices till 30 June 2002. This will provide current users of the South West Interconnected Network sufficient time to plan for the prices that might affect them under the new, price-capped regime. The Office of Energy will soon begin reviewing the prices and methodology to enable the new prices to apply from 30 June 2002 to be published by 31 March 2002.

Access charges for Western Power's South West Interconnected Network can be found in PDF format on Western Power's website at westernpower.com.au/commercial_customers/network_access/distribution/

It is expected that new prices for the use of Western Power's networks in the Pilbara and the non-interconnected regional areas will be published by the end of December 2001.

Experiences with the new regime over the period will provide a basis for, and input to, the consideration of a WA Electricity Code by the Electricity Reform Task Force appointed in August 2001.

For further information contact Ron Gerritsen at the Office of Energy on (08) 9420 5612 or email ron.gerritsen@energy.wa.gov.au

Wind farm opens at Albany



Western Power's latest renewable energy project has been commissioned at Albany. The \$45 million facility comprises 12, 65 metre high towers with a total generating capacity of 21.6 MW, which will be able to supply around 75 per cent of Albany's current power needs. The Albany wind farm joins similar facilities in Esperance and Denham. Another is planned for Exmouth in the State's north where three 25 kW turbines, jointly funded by Western Power and the Australian Greenhouse Office's Renewable Energy Commercialisation program, will be installed by early 2002.

The Albany wind farm

Origin boosts capacity with WA cogeneration deal

Origin Energy has signed a conditional agreement to buy Fletcher Challenge South West Cogeneration Limited — which holds a 50 per cent stake in the South West Cogeneration Joint Venture — for \$68.5 million.

A major condition of the agreement was recently satisfied when South West Cogeneration Joint Venture partner, the State-owned Western Power Corporation, waived its pre-emptive right over that stake in the operation.

The unincorporated joint venture owns and operates the 120 MW cogeneration facility, which since November 2000 has supplied steam and power under long-term contracts to the world scale Worsley Alumina Refinery, near Bunbury, and electricity to Western Power.

On closure of the deal, Origin will hold interests in four Australian cogeneration projects. The other three are the 9 MW OneSteel facility (100%), the 32 MW Bulwer Island facility (50%), and the 180 MW Osborne facility (50%).

“The acquisition will complement Origin’s existing energy base in Western Australia and allow it to participate more readily in emerging growth opportunities in that State, using the integrated model successfully implemented in the eastern states,” the company said in its Annual Report.

In the past year Origin also successfully applied for federal funding for a range of clean energy programs including a \$16 million Greenhouse Gas Abatement Program (GGAP) grant for gas-fired cogeneration. Origin, the largest single recipient of first round funding, is now advancing cogeneration developments at several major industrial sites.

The company also owns the 73 MW gas-fired facility at Roma, Queensland, the 83 MW Ladbroke Grove facility, also in Queensland, and the recently announced, 95 MW gas-fired



The cogeneration facility, one of the biggest of its kind in Australia, supplies electricity and steam to Worsley alumina refinery and electricity to Western Power’s South West interconnected system.

facility at Quarantine, South Australia, which is due for completion in January 2002.

According to Origin, its power projects across the country now save over one million tonnes per year of greenhouse gas emissions.

Conference showcases emerging WA energy market

Energy policy development and sector reform in Western Australia will involve consultation with all stakeholders under initiatives adopted by the State Government.

Energy Minister Eric Ripper told the 230 delegates at the conference that stakeholders would have an opportunity to participate in the consultation processes implemented by the newly-formed Electricity Reform Task Force (ERTF) and the Gas Retail Deregulation Project Steering Group.

“Through these processes the Government is seeking sound and practical advice and all the relevant information it needs to make timely decisions on how it will implement its energy reform agenda,” Mr Ripper said.

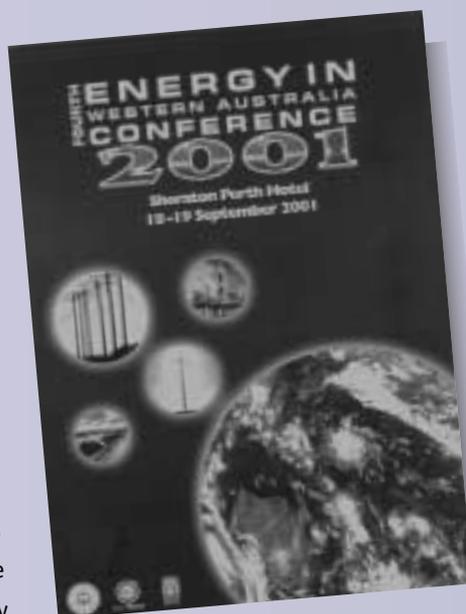
The Minister said the Office of Energy had played an important role in the restructuring of the sector to date and would make a significant contribution in the next phase of reform, including provision of reliable information to all industry participants.

Moving to a more sustainable energy future, the reform agenda envisaged a model where both fossil-fired and new renewable energy sources made effective contributions in a market that, wherever practical, used competition to give “the power of choice” to consumers.

“No matter whether you are involved in renewable energy, traditional sources of energy, or energy related services, I intend to set the environment so that organisations can be innovative and grow in meeting the State’s needs and secure improved living standards for the community,” the Minister said.

Coordinator of Energy and Office of Energy CEO Dr Les Farrant told delegates that WA’s energy sector reforms would deliver opportunities for dramatic changes to the State’s electricity and gas markets within the next 12 months.

Dr Farrant noted that with the reform initiatives of the new Government, which the Office of Energy was currently implementing, his task of coordinating participation in the WA energy sector was taking “new dimensions and focus”.



Detailed recommendations on the design of the WA electricity market would be generated by the ERTF, of which Dr Farrant was the member representing Government. “It is expected that, through its deliberations, the ERTF will have a major impact on the implementation of current and planned electricity reform,” he said.

“For example, an Independent Economic Regulator cannot deal with electricity industry issues unless it has a Code to guide its approach. An important objective of the ERTF is to develop such a Code.”

Dr Farrant foreshadowed “the most important role” of the Office of Energy would arise on implementation of ERTF recommendations.

In respect of gas reform, Dr Farrant said the Gas Retail Deregulation Project’s (GRDP) initial objective was market contestability for consumers using 1-100 TJ per year from 1 January 2002, followed by full retail contestability from 1 July 2002.

Introduction of competition in the regional electricity markets, facilitated through competitive tenders in the Regional Power Procurement Process, would not only deliver a “significant reduction” in Western Power’s high losses in that market, but also facilitate inroads for newer, more “environmentally friendly” fuel sources.

Establishment of competition in the supply of renewable sources of electricity was a “particular challenge” for the OOE, Dr Farrant said. He said the Office was working to implement the Government’s strategy of reducing the threshold for contestable customers for renewable energy suppliers ahead of the threshold reductions for suppliers using fossil fuels.

“The threshold for renewable suppliers will fall on 1 January 2002 to just 50,000 kWh per annum and the Office is pressing for practical access and ancillary service arrangements to be in place for that date,” he said.

Sense of urgency a key driver: Wesfarmers



StateWest Power's Leonora facility. StateWest Power is now owned by Wesfarmers.

Acquisition of new competencies, a sense of urgency in innovation, development of customer loyalty, cost control and a willingness to change existing business models are the keys to success in a mature energy business.

That was the message Wesfarmers Energy Managing Director David Robb delivered to delegates at the Energy in Western Australia Conference 2001 in September.

"The challenges that we focus on in Wesfarmers Energy are: asset and people productivity; aligning stakeholders; acquiring new competencies; changing the model of what we do today; and having a sense of urgency to do it now," Mr Robb said.

Citing the failure of many well-run companies due to complacency, Mr Robb said "constant reinvention" was essential in times when it was "extraordinarily difficult" to predict the future.

Mr Robb said experience had shown that, while companies could drive down cost structures, rivalry and the actions of regulators meant consumers were the ultimate winners.

On alignment of stakeholders, Mr Robb said the representative bodies of the Australian energy industry should give the issue greater consideration. "I think there's a danger in Australia of

"There is merit in an approach which seeks to grow total demand, as distinct from trying to back winners."

— David Robb, Wesfarmers Energy

However, top-of-mind brand recall was essential in maintaining competitiveness. "Which is an example of what some marketing gurus claim - that it's better to be first than to be better - and I think there is a prize through being first in innovating," Mr Robb said.

By far, the greatest yet most rewarding challenge to players in the mature energy business lay in changing existing business models, with the coking coal industry a case in point. "The coking coal industry, for example, is moving to bilateral customer/supplier negotiations and the joint purchase arrangements are falling away," Mr Robb said. "Now that change is being embraced at different speeds by different participants and I think, again, the winners will be those who embrace it quickest."

factionalising the energy debate, rather than trying to grow the total pie," he said.

"Certainly from our point of view, there is merit in an approach which seeks to grow total demand, as distinct from trying to back winners."

Wesfarmers Energy's experience in the LPG business had highlighted "enormous prizes" in maximising customer satisfaction,

which maximised returns to shareholders and delivered new competencies to the company.

In acquiring these, Wesfarmers' research and development experience had shown the answers to most of its problems were "already out there in the world", illustrating the importance of a "find and apply", rather than a "create and keep" approach.

Get ready for choice

Around 600 businesses in Western Australia will soon be able to choose their gas supplier under changes occurring in the State's gas market.

From 1 January 2002, businesses that consume between 1-100 terajoules per annum will be eligible to choose an alternative gas retailer. Yearly gas usage of 1 TJ represents a gas bill of around \$15,000 under the present system.

Businesses that consume over 100 TJ per annum, including major industrial projects, can already choose who supplies their gas needs. Ultimately, even individual households will be able to switch suppliers in the fully contestable market, much like we can switch between telephone companies now.

The Office of Energy distributed an information pamphlet "Gas Competition in WA" to contestable customers in September 2001 asking whether they were interested in attending an information seminar on the changes underway in the gas market.

The first seminar on 5 November 2001 covered key issues including:

- what options are available to contestable customers now and in the future;
- what you should consider in choosing a gas retailer;
- how to change from one retailer to another; and
- what the changes mean to your billing arrangements.

Office of Energy Principal Project Officer, Steve Leithead, said the Gas Retail Deregulation Project Steering Group had recently formed six working groups to oversee the changes underway for the gas industry in WA.

The working groups will look at:

1. customer transfer management;
2. gas metering, estimation, allocation and settlement;
3. consumer protection and education;
4. full retail contestability network access;
5. gas retail market services: and
6. interim market rules.

For more information contact Steve Leithead on (08) 9420 5694 or email steven.leithead@energy.wa.gov.au.

Wesfarmers Kleenheat secures gas trading licences



On 6 September 2001, Wesfarmers Kleenheat was granted gas trading licences covering the Leinster and Margaret River regions of Western Australia.

The Margaret River operation currently supplies gas to about 100 of the prospective 1,200 customers in the area. Liquefied petroleum gas (LPG), which is transported by road to Margaret River from Wesfarmers' LPG plant and the BP refinery at Kwinana, is stored in a 7.5 GJ storage vessel and then supplied direct to customers through a 4 km gas distribution system.

At the mining town of Leinster, some 1000 km east of Perth, Wesfarmers Kleenheat services over 350 customers via a 40 GJ bulk storage site and 7.3 km of gas distribution pipelines.

While Kleenheat's gas reticulation operations in WA are relatively small, Wesfarmers has a considerable presence in the State through Kleenheat Gas' sale and distribution of bottled LPG and the Wesfarmers LPG extraction plant at Kwinana. Kleenheat also operates a number of reticulated systems in NSW, Queensland and South Australia, some of which distribute synthetic natural gas, tempered liquefied petroleum gas and LPG.

The Company's WA gas industry experience is seen as placing it in good stead to capitalise on market opportunities afforded by full domestic gas market deregulation on 1 July 2002.

The WA gas licensing regime, established under the Energy Co-ordination Act 1994, is intended to facilitate participation by energy providers such as Wesfarmers Kleenheat in distribution and trading activities, while safeguarding the interests of residential customers and small business.

Whicher Range prospectivity in focus

Oil and gas explorer Amity Oil will renegotiate a farmout of part of its 73.78% stake in Petroleum Exploration Permit EP 408 to facilitate commercial evaluation of the prospective Whicher Range Gas Field in the Perth Basin.

The move follows a decision by Whicher Range Gasfields Limited (WRG) on 23 October 2001 to defer a previously announced capital raising of \$10 million to acquire and earn a 31.54% equity in the gas field.

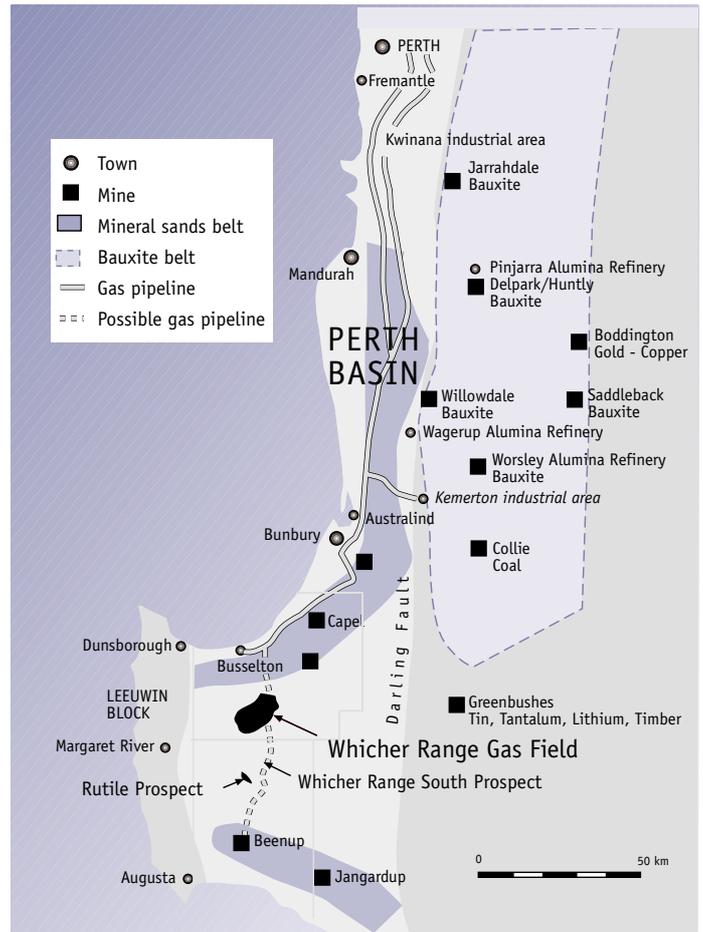
WRG said its decision reflects the “difficult realities of the current equity market for most small resource companies making initial public offerings to raise capital.”

WRG directors intend releasing a scaled down float early in 2002.

The Whicher Range field has in-place natural gas reserves of 3.7 trillion cubic feet, with two of the four wells drilled to date, WR-1 and WR-4, capable of production from existing completions at about 1 and 3 million cubic feet per day (MMcfd) respectively.

To achieve sustainable commercial gas flow rates from Whicher Range, stabilized flow rates in excess of 6 MMcfd are required. The “under-balanced air-mist” drilling method is proposed for the WR-5 well, using a combination of CO₂ and oil as fracture fluids if stimulation is required. The under-balanced air-mist method was developed in the United States, and has had proven success in similar “tight-gas” fields, such as the Green River Basin in Wyoming. Amity Oil recently had success applying this technique in Turkey.

Preliminary commercial studies have identified potential markets for natural gas close to the Whicher Range field, including domestic use, chemical industries, value-adding of mineral sands, alumina production and gas-fired power generation.



Western Australian legislation provides for open access to most major transmission and distribution pipeline facilities. If commercial success is demonstrated at Whicher Range, the joint venture participants will investigate a pipeline link to Bunbury to gain greater access to the broader Perth markets.

Further information is available on WRG's website at whicherrangegasfields.com.au

Status of Natural Gas Pipeline Access Arrangements

Pipeline	Operator	Status
Mid West and South West Distribution System	AlintaGas	Proposed Access Arrangement lodged 30 June 1999. Final Approval issued by the Regulator 18 July 2000. Haulage contract between AlintaGas Networks Pty Ltd and AlintaGas Sales Pty Ltd was approved 18 April 2001
Parmelia Pipeline	CMS Gas Transmission Australia	Proposed Access Arrangement lodged 7 May 1999. Final Approval of Access Arrangement issued by the Regulator on 15 December 2000.
Tubridgi Pipeline System	Tubridgi Parties	Proposed Access Arrangement lodged on 5 November 1999. Final decision and approval issued 19 October 2001.
DBNGP	Epic Energy	Proposed Access Arrangement lodged 15 December 1999. Draft Decision released 21 June 2001. Public comments on the draft decision closed 28 September 2001. On 1 August 2001, Epic Energy issued formal notice of Supreme Court action against the Regulator challenging his draft regulatory decision. The hearing was set for late November 2001
Goldfields Gas Pipeline system	Goldfields Gas Transmission Pty Ltd	Proposed Access Arrangements lodged on 15 December 1999. Draft Decision issued by the Regulator on 10 April 2001. Final decision anticipated early in the new year

See the Office of Gas Access Regulation's website at www.offgar.wa.gov.au for further information.