

Ministerial Foreword

Welcome to the sixth edition of Energy News WA.

This year has been a most successful 12 months from the point of view of reform in the energy industry in Western Australia. The State Government's aim to increase competition in the energy industry is increasingly being realised in a practical sense in many areas.

Competition is being stimulated by the staged process of providing access to the State's energy infrastructure. This process continued on 1 January 2000, with around 100 electricity customers with an average load of one to five megawatts becoming eligible to purchase electricity from their supplier of choice.

Gas infrastructure is also more accessible, with the threshold for access to the Dampier to Bunbury Natural Gas Pipeline and the AlintaGas distribution network being reduced to 100 terajoules per year on 1 January 2000.

The impending sale of AlintaGas will provide substantial benefits for the energy industry in this State. It will also benefit consumers, particularly small businesses, and will allow the full deregulation of the gas industry, which is one of the strongest driving forces in our economic development.

The regional power procurement process is continuing, with a decision for the West Kimberley region to be announced in the near future. It is expected that the procurement of electricity generated in regional areas by private sector companies will reduce Western Power's costs and provide price certainty to regional customers.

The Government's Green Power Policy was launched in December 1999. This initiative aims to stimulate growth of the renewable energy industry in Western Australia. It will encourage the development of cost effective renewable generation and provide an access regime that will assist independent power producers of renewable energy to be more competitive.

On a final note, the "Energy in Western Australia 2000" Conference will be held in Perth on March 22 and 23. Building on the success of previous years, the conference will feature a number of prominent speakers, who will discuss many aspects of the Western Australian energy industry. I encourage you to attend.

I hope you find this issue of Energy News WA informative and useful.



COLIN J BARNETT
MINISTER FOR ENERGY



Energy Efficiency Awards

Entries are now open for the 2000 WA Energy Efficiency Awards.

Hosted by the Office of Energy, the awards acknowledge the efforts made by local industry, business, government agencies and community groups in energy efficiency, energy conservation and the use of renewable energy.

They help to encourage the development and use of new technologies and the wider acceptance of best practice.

The six categories are:

- Energy Achiever Award sponsored by Honeywell Limited
- Planning, Transport and Infrastructure Award sponsored by the Office of Energy
- Commercial Buildings Award sponsored by Western Power Corporation
- Industry Award sponsored by the Chamber of Commerce and Industry of Western Australia
- Educational and Community Based Programs Award sponsored by AlintaGas
- Innovation Award sponsored by the Alternative Energy Development Board

The Perpetual Trophy will be awarded to the category winner judged to be the best of all entries.

Nominations close 31 March 2000.

The finalists and winners of all awards will be announced at a presentation event to be held in June 2000.

Nomination forms can be obtained from the Office of Energy:

Email: awards@energy.wa.gov.au

Further information: Justine Whittome, (08) 9222 9699, or Brett Cummings, (08) 9420 5615.

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General comments or enquiries may be made in writing to

Vince Walsh
Director, Industry Development,
Office of Energy
Level 9, Governor Stirling Tower,
197 St Georges Terrace,
PERTH WESTERN AUSTRALIA 6000

For specific comments or enquiries contact

Rhys Kealley
Phone: (08) 9420 5600
Fax: (08) 9420 5700
Email: rkealley@energy.wa.gov.au

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West Kimberley Power Procurement Progressing

The Energy Equity Corporation/Woodside Energy Ltd consortium has been selected as the single preferred bidder to supply power to Western Power in the West Kimberley region.

Proposals were received from six bidders in April 1999. The detailed tenders were assessed against a number of criteria including the cost of power generation, operational capability, project management, quality and reliability, technology, environmental impact and community benefits.

The Regional Power Procurement Steering Committee is finalising negotiations with the consortium on a Power Purchase Agreement (PPA) for the supply of power to Western Power in this region. The final PPA negotiated by the Committee will then be compared by the Government to the best deal offered by Tidal Energy Australia/Leighton Contractors before a recommendation is put before Cabinet.

Other regions

In mid 1999 detailed tender proposals to supply power to Western Power in the Mid West were requested from seven consortia. A total of four consortia replied with bids in August 1999. The Regional Power Procurement Steering Committee completed the evaluation of all proposals for the Mid West, carefully considering the merits of each bid in accordance with published evaluation methodology. On that basis, the Steering Committee has determined not to recommend any of the bids.

However, it is intended that new proposals for the Mid West will be sought from some of these consortia in February 2000.

For the Esperance region, tender documentation is being finalised and is expected to be issued early in the new year to proponents shortlisted to participate in the Esperance Power Procurement Process.

Further information: John Filippone from the Office of Energy (08) 9420 5644, e-mail jfilippone@energy.wa.gov.au.

Green Power Policy

On Saturday 18 December 1999 the Minister for Energy, Colin Barnett, officially launched the Western Australian Green Power Policy. The Policy, designed to promote and encourage the uptake of renewable energy in Western Australia contains five key initiatives.

1. Anyone in the community, a business or a household, will be able to choose to purchase some or all of their grid-based electricity as Green Power, generated from renewable sources;
2. The Western Australian Government will create a new Sustainable Energy Development Fund to support the development of new renewable energy sources by independent power producers;
3. Independent power producers generating electricity from renewable energy will be given wider access to Western Power's grids to reach a range of potential customers;
4. The Western Australian Government will fund an energy efficiency campaign to raise public awareness of the environmental benefit and the potential for saving money through wiser use of energy; and
5. People in isolated regions will continue to receive assistance to install their own renewable energy power supplies.

The Office of Energy will accredit supplies of Green Power if they satisfy nationally recognised guidelines for renewable energy supply.

For further information on the Government's Green Power policy either visit our website at www.energy.wa.gov.au, e-mail greenpower@energy.wa.gov.au or contact the Office of Energy on (08) 9420 5600.



Underground Power Grants Announced

Around 16 000 homes and businesses in Perth will be connected to underground power under round two of the State Underground Power Program, which is jointly funded by the State Government, Western Power and the relevant local authority.

The areas to be connected are : East Victoria Park - east of Berwick Street; Carlisle - south of Mercury Street; South Perth - Mill Point north of South Terrace and west of Sandgate Street; Mosman Park - north; Wembley - north; West Leederville; Rivervale - between Great Eastern Highway and Campbell Street; Mt Pleasant/Booragoon - east of Risle Street to Canning River;

Claremont - south of the railway line; Subiaco - northern area of Subiaco either side of the railway line; Nedlands - south of Stirling Highway and west of Dalkeith Road; Bickton - west; East Fremantle - remainder; and Mt Lawley - bounded by Rookwood Street, Park Road, the Midland-Perth rail reserve, Third Avenue, North Street and Woodroyd Street.

In addition, local authorities to receive grants for localised enhancement projects are expected to be announced early this year.

Further information : John Filippone from the Office of Energy on (08) 9420 5644, e-mail jfilippone@energy.wa.gov.au

Electricity access charges announced

Access prices for transmission in the South West Interconnected System have been increased on average by around 6% for the 1999/2000 financial year, mainly due to changes in the long term bond rate used in determining the weighted average cost of capital (WACC).

In the North West Interconnected System, access prices for transmission have fallen by around 7% on average mainly due to load growth.

Access prices for distribution in the South West Interconnected System have fallen, on average, by around 12% in the CBD, 4% in the urban zone, 3% in the mining zone and 6% in the mixed zone, mainly due to load growth, while they rose in the rural zone by 2% due to a reduction in usage in certain areas.

In the North West Interconnected System access prices for

distribution have risen on average by around 3% in the Port Hedland zone, mainly due to static load growth and have fallen by around 9% in the Karratha zone, mainly due to load growth.

Methodology

Prices are derived from a methodology which is applied to the value of Western Power's transmission and distribution assets and prescribes a charge for access which is considered to be a fair rate of return on assets while covering operating costs and depreciation.

Copies of the access pricing papers are available from Western Power. The respective contacts are Phil Southwell, Manager, Transmission Access, (08) 9326 6687, and Peter Mattner, Manager, Distribution Network Access (08) 9326 4556.

1-5 MW access pricing completed

As of 1 January 2000, electricity users with an average load of 1-5 MW will be able to access Western Power's distribution systems in the South West or North West Interconnected Systems to obtain power from the supplier of their choice.

About 100 existing users will be able to take advantage of the new open access electricity supply market arrangement.

Access prices for calculating access charges were agreed to at the end of November and are contained in a supplement to Western Power's Distribution Access Pricing and Charges document.

The pricing is competitive with, and in many cases cheaper than, access pricing in the eastern states.

The distribution charges, which are based on location and demand, will be determined by the same methodology for whichever supplier the customer selects.

Electricity supply price variations between suppliers will be in the generation component and the supplier's charges for administration and profit.

Access prices have been allocated to five zones - CBD, Urban, Rural, Goldfields and Mixed. The Mixed zone is comprised of large country towns that are connected to a grid.

Because Western Power's price was previously based on a notional average across all customers, the new cost reflective distribution prices will increase in some cases and decrease in others.

Overall, it is expected that most customers will pay a lower total price than they were paying previously.

The longer term management of existing gazetted tariffs for contestable customers is under review by the Minister for Energy.

Customers with an average load of 1-5 MW include larger hospitals, shopping centres and industrial sites.

This stage of deregulation brings the number of contestable customers to about 130, accounting for about 30% of the total electricity supplied.

No decision has been announced on the next stage of deregulation.

Further information: Michael Styles at the Office of Energy, (08) 9420 5616

Copies of the supplement to Western Power's distribution system access paper can be obtained from Peter Mattner, Manager, Distribution Network Access, Western Power, (08) 9326 4556.

Electricity Approvals in 1999

Alcoa of Australia	Generation
BP Australia	Generation
Onslow Electric Power Pty Ltd	Generation
Southern Cross Energy	Transmission
State West Power Pty Ltd	Generation

Gas Approvals in 1999

CMS Gas Transmission of Australia	Distribution
CMS Gas Transmission of Australia	Transmission
CMS Gas Transmission of Australia	Transmission
CMS Gas Transmission of Australia	Transmission, Trading
Southern Cross Energy	Distribution
South West Cogeneration Joint Venture	Transmission
State West Power Pty Ltd	Transmission

Hospitals combine to select supplier

Health Supply Services, the operational arm of the Government Health Supply Council, has coordinated the tendering process to attract competitive pricing for four WA metropolitan teaching hospitals.

Royal Perth, Fremantle, Princess Margaret and King Edward Memorial Hospitals are separate contestable sites under the 1-5 MW Access Arrangements effective 1 January 2000.

The initial contract term proposed is for twelve months with a further twelve month extension option.

The Government tendering procedure is a very formal process with very clear defined guidelines and requirements.

The process is clearly set out within the tender invitation document and suppliers must respond to the stipulated requirements when making submissions. This is particularly the case with submission deadlines.

During the four-week open tender process, non-mandatory briefings and site inspections were held at each of the hospital sites allowing potential respondents the opportunity of

familiarising themselves with the needs of the individual hospitals, and also providing an open forum for a complete overview of the requirement. Additional information provided by the hospitals as a result of these briefings was then circulated to all potential tenderers.

Tenders closed on 5 November 1999. At time of print, Western Power has been awarded a twelve month contract to supply electricity to Royal Perth Hospital.

The Government Health Supply Council anticipates expanding the competitive procurement of energy into other contestable health related sites across the State in the near future.

Further information: Dianne Gurnsey, (08) 9346 4558, e-mail dianne.gurnsey@health.wa.gov.au.



Royal Perth Hospital

Access pricing under review

The triennial review of electricity transmission and distribution access arrangements is aimed to be complete by September 2000.

Western Power and the Office of Energy are jointly preparing an issues paper and will call for written submissions from interested parties early this year.

After these comments have been reviewed a seminar will be held to present the findings and recommendations.

A review is also to be conducted of the valuation of Western Power's distribution and transmission assets. Access pricing is based on WPC obtaining a fair return on this asset valuation.

Any changes recommended may be included in pricing arrangements for 2000/2001.

Further information: Peter Hawken at the Office of Energy, (08) 9420 5675

EASTERN STATES SNIPPETS

SA Privatises Power Supply

In December 1999 the retail and distribution operations of the Electricity Trust of SA (ETSA), representing about 60% of South Australia's power utilities, were leased for 200 years to Hong Kong Electric/Cheung Kong Infrastructure for the sum of A\$3.5 billion. The proceeds will almost entirely be used to retire State debt.

Tasmanian Electricity Prices Set

The Tasmanian Electricity Regulator Andrew Reeves released his final report and decision on electricity prices on 30 November 1999. This represented the first time that the independent Electricity Regulator has determined maximum tariff charges. The report sets the maximum prices for electricity services in Tasmania, effective for three years from 1 January 2000. Mr Reeves said the financial impact on Tasmanian electricity businesses, assuming no change in sales, would be a \$5 million total reduction in revenue between 2000 and 2002.

Gas Trading and Distribution licence guidelines

Guidelines for gas trading and distribution licensing are now available from the Office of Energy or can be downloaded from the Office's web page at www.energy.wa.gov.au.

The guidelines explain what the licensing legislation covers, specify fees and summarise the terms of licences, and include sample application forms.

A distribution licence is required to build or operate a gas distribution system that operates at a pressure less than 1.9 megapascals.

A trading licence is required for the sale of gas to customers who use less than 1 terajoule a year, which includes residential customers and small businesses.

The licensing regime has been introduced in order to:

- Assure consumers that proponents are financially and technically capable;
- Give distributors powers to access land to install pipes;
- Permit retailers to supply gas to customers who are eligible to be supplied in accordance with the Government's gas access timetable;
- Provide consumer protection.

Fully open competition for gas supply will operate from 1 July 2002.

Further inquiries to Simon Thackray at the Office of Energy, on (08) 9420 5646, e-mail sthackray@energy.wa.gov.au.

Gas Arbitrator appointed

Laurie James, a Supreme Court barrister and solicitor, and chairman of the law firm Kott Gunning, has been appointed as the Western Australian Gas Disputes Arbitrator. He is a Grade 1 Arbitrator with the Institute of Arbitrators and Mediators Australia, a past president of the Institute and immediate past chairman of the WA chapter.



Laurie James

The functions of the Gas Disputes Arbitrator are to resolve disputes between prospective users of gas pipelines and pipeline service providers as provided for by the National Third Party Access Code for Natural Gas Pipeline Systems (the Code). The Arbitrator is independent of direction or control by the Crown or any Minister of the Crown in the performance of the Arbitrator's functions.

The Arbitrator also provides administrative support and is responsible for the financial management of the Western Australia Gas Review Board. The Board performs the functions of the Appeals Body under the Code. The Review Board is to hear appeals against the Gas Pipelines Access Regulator and the Minister for Energy in respect of decisions they have made under the Code. Panels are being established from which the members of the Board will be selected when an appeal is to be heard. The panel members will be announced shortly.

Notification of disputes that require arbitration and appeals to be heard by the Gas Review Board should be lodged through the Office of Gas Access Regulation which is located on the sixth floor, Governor Stirling Tower, 197 St Georges Terrace, Perth.

Telephone (08) 9213 1900 / Fax (08) 9213 1999 / or e-mail enquiry@offgar.wa.gov.au

Expansion of DBNGP continues

Epic Energy has commenced commissioning of the newly constructed Kwinana compressor station on the Dampier to Bunbury Natural Gas Pipeline (DBNGP) and the work is expected to be completed by the end of January 2000.

This is another milestone in the \$125 million Stage 3A expansion of the DBNGP which will deliver an additional 78 terajoules per day to customers in the South West.

The Wagerup to Worsley southern loop extension was completed in June 1999 and is delivering additional capacity to the Worsley Refinery and the South West Cogeneration Plant.

Additional compressor units have also been installed in the existing compressor stations along the pipeline near Exmouth, Carnarvon and Geraldton.

In October 1999, Epic won a Golden Gecko Award from the Department of Minerals and Energy for the construction of the Burrup Extension Pipeline which connects Woodside to the Pilbara Energy Pipeline.

The project covered extremely difficult terrain with important cultural and environmental considerations as well as construction problems.

A feasibility study has started on a possible extension of the DBNGP to Albany and Esperance.

The route will depend on the location of suitable users, including a proposed pulp and paper mill and the nickel plant at Ravensthorpe.

Further information: Melissa Smith at Epic Energy on (08) 9492 3506

New industries sought for Gorgon gas

Texaco is seeking domestic natural gas sales of 500 terajoules (TJ) a day to justify development of the Greater Gorgon area off the North West coast.

This would almost double current consumption in the State and is dependent on attracting new industries to the region.

About 150-200 TJ could be taken up by a power station between Perth and Geraldton for which Texaco and CMS Energy recently announced a feasibility study.

Texaco Australia is acting as domestic sales agent for the Gorgon consortium. The other participants, Chevron, Mobil and Shell, are responsible for their own international sales of LNG.

The focus is firmly on the domestic market and, since the second half of 1999, Texaco Australia has been approaching companies throughout the world who have prospects for opening plants in WA.

"We are looking for companies who might otherwise be opening plants in Malaysia, Trinidad ... anywhere," said Texaco Australia's

Managing Director, Paul Oen. "To attract them here we are offering competitive prices together with stability and security of supply. "

"Initial interest has been encouraging and we are optimistic that we can bring together a number of potential users of large volumes of gas to exploit potential synergies and economies of scale. "

"As opportunities materialise we expect to be working closely with the State Government as this project is very much in tune with their policy for developing downstream processing industries."

The Greater Gorgon area includes the Gorgon, Chrysaor, Dionysus, West Trial Rocks and Spar fields. These fields are currently being developed on behalf of the owners by West Australian Petroleum, until Chevron Australia Pty Ltd assume this role in the first quarter of 2000.

Further inquiries: Paul Oen, Texaco, (08) 9366 8888.

Windimurra now running on gas

Precious Metals Australia's Windimurra vanadium mine near Mt Magnet is now operating using gas from the Mid West Gas Pipeline.

The gas is used to fuel a power station consisting of four 3.2 MW Caterpillar engines with a baseload of 9.6 MW.

It is also used in a rotary kiln, a deammoniation furnace and a fusion furnace.

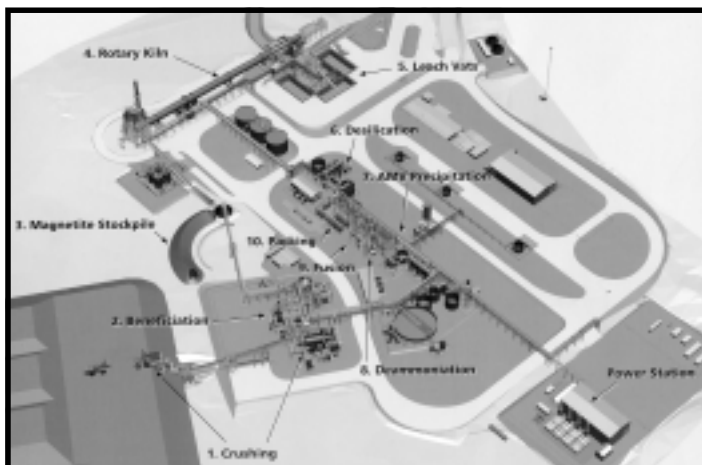
The 126-metre long rotary kiln is the largest used in the vanadium industry worldwide, and consumes half of the total gas used at the mine. It includes a planetary cooler heat recovery system that reduces energy consumption and emissions by one third.

The deammoniation furnace, which is electrically heated in other vanadium mines, also has a heat recovery system.

The fusion furnace, which is at the end of the process and produces fused flakes of finished product, is diesel powered in other mines.

Future plans include the harnessing of waste heat from the power station to drive other stages of the process.

The Mid West Gas Pipeline, with a lateral extension to Windimurra, is a joint venture of Western Power and AGL. Western Power also provided assistance to build the power station, which was commissioned in September 1999.



The Windimurra mine site showing the locations of the facilities fired by natural gas.

Executive Chairman Roderick Smith said the availability of gas gave Precious Metals Australia a significant advantage in competing in world markets.

"Our major competitors are South Africa, Russia and China," he said. "All use coal which ... contaminates the end product. Product quality is very important, especially with the current over-supply situation. Gas gives us that quality edge, together with competitive pricing on long term contracts and reliability of supply."

Further information: Roderick Smith at Precious Metals Australia, (08) 9481 3777.

Amity a seller in South West

Successful remedial stimulation of the Whicher Range 4 well near Busselton has produced a stabilised flow rate of 3.08 million cubic feet of natural gas a day. Combined with the flow from the Whicher-1 well, Amity Oil and its partners now have over 3 terajoules a day to sell to local purchasers in the Margaret River and Capel area.

Amity's Managing Director, Peter Allchurch, said there was the potential to offer natural gas at a substantially lower price than was currently paid for LPG in the area. "Residential customers here are paying \$26 a gigajoule for LPG compared with \$14 for natural gas" he said. "Larger users pay \$14-\$15 per GJ compared with \$10-\$12."

"The total natural gas demand for Margaret River is estimated at around 35 terajoules a year. At maximum production that would equate to only 12 days supply from the Whicher-4 well".

"Our 3 terajoules a day could be used to produce 8-10 MW of electricity which would be enough to supply the immediate region." Amity is hoping the availability of cheaper energy will attract new industries to the area.

Amity plans to begin drilling of the Rutile prospect in January 2000 and Whicher-5 later in the year.

Other prospects are Whicher Range South and Brockman, which is strategically located near Cable Sands at Jangardup.

If sufficient supplies can be produced by any combination of these wells it could become economic for Amity to connect to the Dampier to Bunbury Natural Gas Pipeline (DBNGP) with the potential to sell to customers throughout the network. Whicher Range has the potential to deliver a total of 1 million terajoules of gas over a 30-40 year life.

For further information contact Peter Strachan, Amity Oil, (08) 9324 2177, e-mail pstrachan@amityoil.com.au.

Gas Access Arrangements

The following is the progress of applications under consideration by the Independent Gas Pipelines Access Regulator:

Parmelia Pipeline (CMS Gas Transmission Australia) - draft decision delivered by the Regulator, Public submissions closed on 25 November 1999. Final decision expected in January 2000.

Mid and South West Gas Distribution System (AlintaGas) - application received and under consideration. Draft decision expected in late January 2000.

Tubridgi Pipeline System (Boral) - proposed Access Arrangement received in November 1999 and public submissions closed on 10 December 1999.

New name for quality awards

The Australian Quality Council (AQC) has changed the name of the previous Australian Quality Awards to the Australian Business Excellence Awards, with an expanded entry level process and a new presentation format.

Raymond Roose, AQC's WA Manager, said the change reflected how quality principles had become integral to management in the pursuit of sustained business excellence.

Submissions at Business Improvement Level in the Awards process will now be possible up to four times a year.

Information about the new format will be provided at a seminar planned for Perth on 1 March 2000, at which previous Award winners will answer questions on management best practice.

The Awards are based on the Australian Business Excellence Framework, a uniquely Australian management tool designed as a roadmap for business improvement and long-term success.

Research by Alexander Hausner and the University of Wollongong has shown a high correlation between performance in the Awards and improvements in an organisation's most important business measures.

"Many organisations now use the Framework to review their activities and prioritise improvement opportunities," Mr Roose said. "In addition, many organisations use the Awards process to benchmark their progress and to be externally recognised for their achievements. They find the feed-back from the independent evaluators is particularly useful in driving their ongoing business improvement initiatives."

The energy sector has been strongly represented in the Awards. In 1998 Integral Energy of NSW became the only organisation to date to win Award Gold.

Western Power Corporation, Cummins Power Generation Pty Ltd, Dartbrook Coal Pty Ltd, Delta Electricity, AUSTA Energy, Siemens Ltd, NorthPower and Flinders Power Pty Ltd have all been recognised in the Awards process.

Further information is available from the AQC's website at www.aqc.org.au or by contacting Raymond Roose on (08) 9389 4434 or e-mail r.roose@aqc.org.au.

DBNGP PL40 (Epic Energy) and GGTP PL24 (Goldfields Gas Transmission) - application lodged on December 15, 1999. Submissions close on 18 February 2000.

Kalgoorlie to Kambalda PL27 (Southern Cross Pipelines) - date for lodgement extended to 1 February 2000, during which time public submissions are sought on the 12 month extension request by the company.

Further information: Mr Peter Kolf, Office of Gas Access Regulation on (08) 9213 1900 or e-mail enquiry@offgar.wa.gov.au