

Ministerial Foreword

The Western Australian energy industry is continuing to see the positive results of the State Government's competitive policy initiatives.

The Government's policy of liberalising levels of access to energy infrastructure, in conjunction with the Green Power policy, are designed to encourage growth and diversity in the renewable energy sector. It is also worthwhile to note the emerging trend in Western Australia whereby generation facilities dedicated to major resource projects are changing ownership. As a result, for the first time in the State, we are now seeing the emergence of competing independent power producers.

I recently foreshadowed further moves in electricity deregulation which will foster even more competition in the electricity market and allow for increasing levels of participation by independent power producers.

The vitality of the State's energy industry was illustrated by the strong turnout at the Energy in Western Australia 2000 Conference, held jointly by the Office of Energy and the Australian Institute of Energy during March. The conference was attended by over 260 delegates and provided a forum for discussion on energy related issues and a networking opportunity for industry participants.

The sale of AlintaGas is progressing smoothly with three companies short-listed as potential cornerstone investors. The level of local and international interest in AlintaGas is indicative of the confidence held in the Western Australian energy industry.

I am also pleased to announce the release of an updated version of the Office of Energy's Energy Resources and Infrastructure Map. This map continues to provide a useful graphical representation of the many aspects of Western Australia's energy sector.

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




COLIN J BARNETT
MINISTER FOR ENERGY

Submissions closed for access pricing review

Submissions in response to the public discussion document released as part of the Triennial Review of the economic and regulatory aspects to pricing for access to Western Power's transmission and distribution networks have now closed. The discussion document and submissions received in response to the discussion document are available from the Office of Energy's website (see address below).

The discussion paper was prepared jointly by the Office of Energy and Western Power for the Electricity Access Steering Committee (EASC). The Triennial Review will result in new prices for access to Western Power's transmission and distribution systems which are intended to apply from 1 October 2000. The new prices will be published in a Pricing Paper that is planned to be released and available on Western Power's website by 30 September 2000.

Inquiries to Jeroen (Ron) Gerritsen at the Office of Energy, 9420 5600, e-mail jgerritsen@energy.wa.gov.au. The discussion document is available for download from the Office of Energy's web page in the Triennial Review section at <http://www.energy.wa.gov.au/html/triennial>

Energy News WA is published by the Office of Energy, Government of Western Australia.

Articles may be reproduced with acknowledgment.

ISSN 1329-3230

It is also published on our web site, with back issues, at www.energy.wa.gov.au

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

Energy News WA has been compiled in good faith by the Office of Energy from information gathered in the course of its activities.

Appropriate professional advice should be sought and considered before acting on any information in this publication.

The Office of Energy, its employees and contract personnel undertake no responsibility to any person or organisation in respect of this publication.

Alternative formats may be available on request to meet the needs of people with disabilities.

Energy in Western Australia 2000 Conference

The third Energy in Western Australia Conference, presented by the Office of Energy and the Australian Institute of Energy, was held at the Sheraton Hotel in Perth on 22 – 23 March 2000. The conference was well attended with over 260 delegates including government and private players in the WA energy sector and several notable speakers.

The conference commenced with addresses on energy policy issues lead by the Minister for Energy, the Hon. Colin Barnett, followed by the Coordinator of Energy, the CEO of the Department of Resources Development, the CEO of Epic Energy and the Western Australian Independent Gas Pipelines Access Regulator.

The second session focussed on gas developments ranging from exploration to retail. Speakers from producers Texaco Australia, Apache Energy and North West Shelf Gas painted an encouraging picture for the upstream Western Australian gas industry and export potential for Western Australian gas.

Day two of the conference focussed on electricity and energy developments with participation from Western Power and private players, particularly during a Panel Session lead by private retailers. This session illustrated some of the problems being experienced by private players in the deregulated energy market and highlighted forthcoming opportunities.

The final session of the conference covered aspects of the renewable energy industry, the effects of technological improvements on energy markets, the need for further reform



The panel session: Charles Abner (WA Consolidated Power), Gary Ireson (Kleenheat Gas), Dr Steve Gould (Perth Energy) and Peter Adams (Australian Institute of Energy)

of the electricity industry and the process and progress of the AlintaGas sale. The closing address was given by the Coordinator of Energy.

The Energy in Western Australia 2000 Conference attracted sponsorship from a number of prominent firms and organisations as well as media interest. The conference organisers wish to thank Corrs Chambers Westgarth Lawyers, AlintaGas, Wesfarmers Coal, Epic Energy, the Chamber of Commerce and Industry WA, Apache Energy, CMS Energy Australia, Origin Energy, and the WA Energy Efficiency Awards for their support.

Limited copies of the papers presented at the conference are available at a charge of \$50.00 from Vicki Hodgkin at the Office of Energy, phone (08) 9420 5686, e-mail vhodgkin@energy.wa.gov.au

Renewable Remote Power Generation Program

The Renewable Remote Power Generation Program, or RRRGP, will operate by providing cash rebates or grants of up to 50% of the capital cost of renewable power systems where they are replacing or augmenting a diesel system in remote areas.

The Commonwealth, as part its revised GST package, has appropriated up to \$66m pa for four years beginning 1 July 2000 for Special Purpose Payments to the states and territories to subsidise cash rebates for renewable power systems in remote areas. The funding for the RRRGP will come from funds retained from the excise on diesel used for public power generation. The actual amount available to each state or territory will depend on the amount of this excise paid in each jurisdiction.

Both large and small projects could receive funding through the RRRGP as long as the installations replace diesel generation in remote areas and meet the program objectives. Wind

turbines operating in parallel with diesel generators in coastal settlements such as Hopetoun, Rottneest and Esperance could receive a significant subsidy. PV arrays or small wind turbines operating in parallel with diesel generators in small isolated towns, Aboriginal Communities, mining camps and larger businesses in remote areas would also be eligible as would renewable energy power supply systems serving isolated households, pastoral stations, Aboriginal outstations and small businesses in remote areas.

Details of the agreements between the states and the Commonwealth are still to be finalised. However, it is anticipated that the Office of Energy will administer the program on behalf of the Western Australian Government.

For further information contact Evan Gray, Office of Energy, (08) 9420 5610, e-mail egrays@energy.wa.gov.au

ELECTRICITY UPDATE

Worsley generating 120MW

Commissioning of the \$90 million South West Cogeneration Joint Venture cogeneration plant at Worsley was completed in mid May.

The plant is currently operating at its full capacity of 120 MW. The plant also supplies 180 tonnes per hour of steam to Worsley Alumina. With supplementary gas firing of the boiler, an extra 185 tonnes per hour of steam is available as required.

The joint venture is a 50-50 partnership between Western Power and Fletcher Challenge Energy, which has expertise in similar cogeneration projects overseas. Western Power has extensive gas turbine experience including the Tiwest cogeneration plant.

The facility comprises a Frame 9 gas turbine and a heat recovery steam generator supplying high and low pressure steam.

Of the total electricity generated, Worsley takes 31.5 MW and Western Power currently takes the remainder.

Gas supply is from the East Spar Joint Venture.

For further information contact Peter Winner at Western Power, (08) 9326 4597, e-mail peter.winner@wpcorp.com.au

Regional Access Pricing

Western Power has now published network access prices for contestable electricity customers in regional areas (non-interconnected networks) using 300,000 kilowatt hours or more annually. Western Power estimates that these prices will result in network usage costs of about 3.93 cents per kWh on average, depending on customers' demand and usage patterns. Prices are available on Western Power's web site. Taxation changes from 1 July 2000 will result in an approximate 3% reduction in all current published network access prices, to which 10% GST will be added. For more information, contact Peter Mattner at Western Power on (08) 9326 4911.

Regional power supply

Esperance

Tender documentation is being finalised and will be issued shortly for the supply of power to Western Power in the Esperance region. Twelve consortia were shortlisted from the 23 initial Expressions of Interest.

Mid West

The Regional Power Procurement Steering Committee (RPPSC) determined not to recommend any of the original bids received and invited new bids from three consortia.

Tenders closed at the end of March for revised submissions for the supply of power in the Mid West region and two bids were received. The Working Group assisting the RPPSC is currently evaluating the bids and a decision on the preferred bidder is expected in July 2000.

Awards Announced

The WA Energy Efficiency Awards were presented earlier this month by the Minister for Energy. The awards are sponsored by Honeywell, AlintaGas, Western Power, the Chamber of Commerce and Industry, the Alternative Energy Development Board, Radio 6PR and the Office of Energy.

Katrina O'Mara received the Energy Achiever Award for her enthusiasm in spreading the energy efficiency message, with efforts ranging from running energy efficiency workshops to developing web-based educational packages and presenting radio science shows.

The University of Western Australia won the Commercial Buildings Award for instigating a wide-ranging program of plant upgrades and system rationalisation leading to substantial reductions in energy consumed by campus mechanical services.

Amcor Fibre Packaging won the Industry Award and the perpetual trophy for its reduction in gas and electricity consumption per tonne of paper produced at its Spearwood Mill, by focussing on a range of initiatives.

The Renewable Energy Travelling Show, presented by Science Alive, was awarded the Educational and Community Based Programs Award for promoting renewable energy and energy efficiency to school students on a one-year trip around regional WA.

The Water Corporation's Woodman Point Wastewater Treatment Plant won the Innovation Award for reducing greenhouse gas emissions by using anaerobic digesters, which reduce sludge volume and produce biogas that is combusted to generate electricity.

For more information contact Brett Cummings at the Office of Energy on (08) 9420 5615 or e-mail awards@energy.wa.gov.au

West Kimberley

A recommendation has been made to the Minister for Energy on a preferred supplier for the West Kimberley.

Due to strong local community support for a tidal energy project, the Minister agreed to compare the recommended bidder's proposal against the 'best deal' from Tidal Energy Australia. Tidal Energy Australia/Leighton contractors submitted a revised proposal which is being compared by an independent Ministerial Advisory Committee against the best offer from the recommended bidder.

For further information contact John Filippone, Office of Energy, (08) 9420 5644, e-mail jfilippone@energy.wa.gov.au.

Access thresholds to be reduced (From Page 1)

The transformation within the generation side of the industry will be driven by cost and the willingness of companies to invest. This could be through building new private power generation or through the privatisation of a major Western Power power station. There might be some sort of joint venture arrangement between Western Power and a private generator to re-power and upgrade an existing power station, or there may be combinations of these three options.

Mr Barnett considered that the opportunities were there for private industry to become independent power producers and participate in what will be a very large expansion in generating capacity, the majority of which is expected to be private.

Despite ongoing deregulation, it is Government policy to retain Western Power Corporation within Government ownership. The Minister indicated that while he was supportive of the deregulation process in general, he was conscious of the mixed signals from the experiences around Australia. Although in general deregulation has lowered electricity prices, there have also been some significant problems with price volatility and also some financial losses. He said, "The point is, yes electricity reform is important and we will progress, but it is difficult and there are risks."

The Government has its sights on supporting deregulation, but also firmly upon the objectives of reliable continuity of supply for the public.

Inquiries to Michael Styles at the Office of Energy, (08) 9420 5600, e-mail mstyles@energy.wa.gov.au

Proposed power station to run on manure

Planning approval is being sought for a \$26 million power station fuelled by chicken litter. The proposed site is about 5km north of Muchea on the Brand Highway.

The project company is Blair Fox Generation WA, a joint venture of renewable energy developers Blair Fox Pty Ltd and WABG Biomass Supply Pty Ltd, a company owned by local poultry farmers.

If it is approved in a timely manner the new power station is scheduled to be operating within 24 months.

Blair Fox Generation WA has signed a memorandum of understanding with WA Consolidated Power to purchase the entire 10MW output of the power station for a minimum of 15 years.

A final Power Purchase Agreement is now being negotiated.

Blair Fox says that the power station will provide enough electricity for approximately 13,000 average homes without the 70,000 tonnes of CO₂ emissions per year that would be generated using fossil fuels.

It will use all of the 100,000 tonnes of chicken litter produced each year by the WA chicken meat industry. This litter is now used as fertilizer by the horticulture industry but has been identified as a breeding ground for stable fly.

Because the power produced comes from a renewable source, WACP will be able to retail it to customers with an annual electricity consumption as low as 300,000 kWh (equivalent to an annual average load of 34kW) as well as targeting the recently deregulated 1-5 MW electricity market.

Inquiries to Matthew Rosser, Blair Fox Generation, (08) 9228 8846, e-mail blairfox@cygnus.uwa.edu.au

Perth Energy brokers electricity supply for contestable customers

Perth Energy was established in mid 1999 to meet the needs of electricity consumers covered by the Open Access regime. Since then, Perth Energy has brokered Independent Power Producer supplies totalling over 22MW for three major customers, all of whom have 24-hour operations. "This concrete achievement puts Perth Energy second only to Western Power in terms of loads placed in the contestable market", said Dr Steve Gould, Perth Energy's Business Development Director.

While consumers in general seek price benefits that the deregulated electricity market can bring, Dr Gould believes reliability of supply is also a crucial factor for many users. Perth Energy account manages all the supplies it has brokered, and "competes on the basis of best price, service and reliability."

Dr Gould said the Open Access regime was complex and in his experience both suppliers and consumers have preferred to use Perth Energy to take care of all the retail functions. These include supplier-customer profile matching, contract negotiation, network access application, load following and energy balancing, standby power arrangement, billing, customer emergency response, risk management and related energy services. This specialist service allows both suppliers and consumers to concentrate on their core businesses.

Besides retailing, Perth Energy also consults for several large users and market participants on industry development. Mr Gould is a member of the Electricity Access Consultation Committee and the Renewable Energy Access Working Group chaired by the Office of Energy.

"At the end of the day", said Dr Gould, "we want to provide electricity consumers choice. And we want them to feel comfortable that the risks associated with this choice are being properly managed."

Perth Energy can be contacted on (08) 9480 3746. Email SteveGould@bigpond.com

Pacific Hydro considering expansion in WA

Pacific Hydro Limited is looking for ways to expand its power generation activities in Western Australia, building on the success of the Ord River Hydro Project.

Managing Director Jeff Harding said the company had concentrated on overseas projects for expansion in the past few years but was now eager to expand in Australia.

With the growing emphasis on Green Power the time is opportune to expand beyond hydroelectric generation to include other forms of renewable energy generation. This includes technologies such as wind, solar, geothermal and biomass. In addition to the Codrington wind farm site in Victoria, that is



expected to be generating by March 2001, Pacific Hydro is also developing numerous other wind farm sites in WA and Victoria.

One of the big issues facing renewable energy producers is access to Western Power lines. In the Ord scheme, Pacific Hydro owns the high voltage transmission line but has to connect to Western Power's grid for distribution to customers.

The newly released prices for access to Western Power's regional networks will allow Ord Hydro to determine the viability of supplying larger consumers directly.

The Ord project, which supplies up to 230GWh of clean renewable energy to the Kimberley region, replaced three diesel stations and has reduced emissions of CO₂ by approximately 200,000 tonnes annually, according to Pacific Hydro estimates. The largest privately funded renewable energy infrastructure project in Australia, it has won awards for both engineering and environmental excellence.

The project is wholly owned by Pacific Hydro, which commenced business in Victoria in 1993 and has other renewable energy projects in the eastern states, New Zealand and the Philippines.

The power station, which supplies the towns of Kununurra and Wyndham and the Argyle diamond mine, is located at the base of the 70m dam which holds back the waters of Lake Argyle.

For further information contact Jeff Harding, Pacific Hydro Ltd, (03) 9620 4400, e-mail jharding@pacifichydro.com.au

Renewable Energy Access Working Group formed

The Electricity Access Consultation Committee (EACC) has established a working group, the Renewable Energy Access Working Group (REAWG), to consider and advise it on issues to do with access to Western Power's distribution system that arise out of the Government's Green Power policy.

The Office of Energy provides the chairman and executive officer for the REAWG.

The inaugural membership consists of representatives from the Office of Energy, two representatives from Western Power (representing the Distribution Network and the Retail Division), Matthew Rosser from Blair Fox Generation WA, Steve Goble from Honeywell, Charles Abner Jnr from WA Consolidated Power, Steve Gould from Perth Energy and Steve Brown from the Water Corporation.

The primary task of the group will be to develop a pricing mechanism and prices to allow approved renewable energy suppliers to access Western Power's distribution system to supply users who will consume at least 300,000 kWh of electricity from renewable sources per year at a single premises.

The access pricing for approved renewable energy is scheduled to be in place by 30 September 2000.

For users of non-renewable power the current access level to Western Power's South West and Pilbara distribution networks is 8,760,000 kWh per annum (annual average load of 1 MW).

Therefore, users whose annual consumption is greater than 300,000 kWh but less than 8,760,000 kWh will be able to purchase all their power requirements as renewable power or purchase some non-renewable power from Western Power and the remainder, as long as it is greater than 300,000 kWh pa, from the approved renewable energy supplier of their choice.

If the user has an annual load of 8,760,000 kWh pa or greater then they can purchase their power, no matter what its source, from any supplier of their choice. The current access level for regional areas is 300,000 kWh per annum.

Inquiries to Mark McKinnon, Office of Energy, (08) 9420 5618, e-mail mmckinnon@energy.wa.gov.au

Southern Cross to supply electricity to Fremantle Hospital

Southern Cross Energy has been awarded the contract to supply electricity to Fremantle Hospital.

The contract represented considerable savings and will provide opportunities for further energy cost reductions.

As reported in issue 6 of Energy News WA, four metropolitan teaching hospitals combined last year to coordinate the tendering process to attract competitive pricing.

Royal Perth Hospital announced in January that it had awarded a 12-month contract to Western Power. A spokesperson for the Health Supply Services, the operational arm of the Government Health Supply Council which conducted the tendering process, said the decision had come down to best value offered. Western Power had been able to produce a tariff acceptable to Royal Perth Hospital.

Princess Margaret Hospital and King Edward Hospital decided not to accept any of the tenders as they considered none offered any significant advantage over their existing arrangements.

Regional Hospitals

Health Supply Services is now engaged in a similar process on behalf of a number of hospitals in regional Western Australia.

The State is divided into Health Service regions covering the Kimberley, East Pilbara, West Pilbara, Gascoyne, Upper Great Southern, Lower Great Southern and Northern Goldfields. In most regions there are one or two hospitals which are contestable sites under the 300,000kWh per annum Access Arrangements (300, 000 kWh is equivalent to an annual average load of 34 kW).

Surveys have been sent to the General Managers of each region to determine their energy requirements.

The spokesperson for Health Supply Services said they would be looking at competitive pricing within the existing electricity supply arrangements and/or cogeneration.

It is likely the tendering process will be arranged on a geographical basis to allow potential providers to investigate each region in detail, particularly where cogeneration is an option.

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



Fremantle Hospital

GAS UPDATE

Additional pipeline corridors

Plans to provide for additional gas pipeline capacity from the north west to the south west of the State have been accelerated in line with commitments made during the passage of the AlintaGas sale legislation. The aim is to increase competition and improve security of gas supply.

The existing pipeline corridor between the Pilbara and Bullsbrook is being widened from 30m to 100m and three companies have been shortlisted to provide additional pipeline capacity.

The Minister for Energy is currently considering a report by the Gas Pipeline Sale Steering Committee on the companies' submissions.

While providing for additional capacity north of Perth is largely a matter of widening the existing corridor carrying the Dampier to Bunbury Natural Gas Pipeline, problems arise around the metropolitan area. The existing corridor cannot easily be widened in places due its proximity to buildings and other structures.

Options are being examined for the design of a future route around the metropolitan area for additional gas pipelines to service markets south of Perth.

Studies will be conducted into possible routes and discussions held with interested parties.

East-West pipeline

An east-west infrastructure corridor (including gas pipelines) will link the Geraldton region with the Eastern Goldfields although the route is yet to be decided.

It will provide capacity for private developers to build infrastructure, including pipelines in addition to the existing Mid West Pipeline. This will provide additional opportunities for competition and delivery of gas to a wider area of the State through further connection to the existing gas pipeline network.

For further information contact Peter Rixson, Office of Energy, (08) 9420 5600, e-mail prixson@energy.wa.gov.au

Gas supplies sufficient for petrochemical plant

The proposed gas-to-liquids plant to be built on the Burrup Peninsular with its requirement of 130 terajoules of gas a day can be supplied by North West Shelf Gas from existing reserves.

General Manager Akos Gyarmathy said it will require some minor de-bottlenecking of land-based facilities but it would not be dependent on expansion of current gas fields.

However, the extra sales will bring the North West Shelf partners closer to the time when they need to expand operations.

The proposal, by American firm Syntroleum, is for a \$600 million plant to turn natural gas into paraffin, synthetic lubricants and drilling fluids.

It has strong State and Federal Government support and is awaiting approval from its international financiers. Inquiries to Akos Gyarmathy at North West Shelf Gas, (08) 9348 4270, e-mail akos.gyarmathy@nws.com.au

Gas Access Arrangements

The status of various Access Arrangements in front of the Independent Gas Pipelines Access Regulator is as follows.

CMS Gas Transmission Australia lodged with the Regulator its proposed Access Arrangement for the Parmelia Pipeline on 7 May 1999. On 27 October 1999 the Regulator issued a Draft Decision in relation to that proposed Access Arrangement and sought public submissions on the draft Access Arrangement by 12 November 1999. The Regulator has extended the period of assessment of the proposed Access Arrangement until 7 July 2000.

AlintaGas lodged its proposed Access Arrangement for the Mid West and the South West Distribution System on 30 June 1999. The first phase of the public consultation process in relation to this proposed Access Arrangement has been completed and the Regulator released his Draft Decision on 14 March 2000.

The Tubridgi Parties have lodged a proposed Access Arrangement for the Tubridgi Pipeline System and the first round of public consultation in relation to that Access Arrangement has been completed. The Regulator has extended the period of assessment of the proposed Access Arrangement until 21 August 2000.



Epic Energy lodged its proposed Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline on 15 December 1999. On the same date, Goldfields Gas Transmission Pty Ltd lodged its proposed Access Arrangement for the Goldfields Gas Pipeline system. The first phase of the public consultation processes in relation to these proposed Access Arrangements has been completed.

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

Attending the AGA AlintaGas Flame of Remembrance Project Team morning tea in Perth were L-R: AlintaGas' Aart Ter Kuile, Department of Veteran's Affairs Deputy Commissioner Paul Dudumas, and AlintaGas' Anne-Marie Devereux and David Sweet

AGA Thanks AlintaGas Flame of Remembrance Project Team

The Australian Gas Association (AGA) hosted a morning tea in Perth's Naval and Military Club to recognise the efforts of the AlintaGas Flame of Remembrance project team following the dedication of the natural gas flame at the State War Memorial in Perth on 1 April by Queen Elizabeth at the conclusion of her Australian visit.

The AlintaGas Flame of Remembrance in Perth follows the gas industry sponsorship of the Flame of Remembrance at the Australian War Memorial in Canberra.

AGA Industry Development Manager David Parker expressed the appreciation of the gas industry to the AlintaGas Flame project team on the professionalism and success of the Flame project and the importance of the Flame of Remembrance to future generations of Western Australians.

For further information contact David Parker, Australian Gas Association, (08) 9486 3358, e-mail perth@gas.asn.au