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## 4.6 Western Australia

The Western Australian Government and SECWA provided information on initiatives undertaken to improve the performance of the electricity and natural gas industries in that State.

### *Policy reviews*

A Green Paper (Western Australian Government 1989) canvassed a number of energy policy options for the State and included:

- transferring the regulatory functions of SECWA to an independent regulatory authority;
- separating the electricity and gas supply functions of SECWA, to promote competition in the energy markets and remove cross-subsidies between gas and electricity; and
- breaking up the electricity component of SECWA into separate generation and transmission/distribution authorities.

Other options identified for increasing competition included, establishing competitive generating facilities (either completely dedicated to supply the grid or as peak supply sources), diversifying supply of natural gas to SECWA's pipeline distribution system, and terminating the policy of reserving energy resources for exclusive use by SECWA. The Government is considering the matters raised in the paper.

### 4.6.1 Electricity

#### Structural review and organisational measures

SECWA's recent review of its organisational structure and operations resulted in the adoption of a new structure aimed at ensuring a more business-like organisation. Particular account was taken of the need to reduce the centralised structure that had developed in the organisation. The new management structure is leaner and flatter, and has given managers a greater degree of responsibility and accountability for their own area of operations.

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In consultation with the State Government, SECWA developed a Performance Agreement defining financial and operational performance objectives. The Agreement also outlines commitments on tariff increases, returns to Government, and reporting requirements for SECWA's performance. SECWA's Corporate Plan translates the objectives of the Performance Agreement into targets relating to the operations and responsibilities of its business units.

#### *Other developments*

Broadbanding of salaries for staff has been introduced to encourage greater productivity, efficiency and flexibility, and to reward increased productivity and work value; a performance management scheme supports this initiative. Also, the 11 existing awards were replaced with a single award to cover all salaried officers and a separate single award to cover all wages staff.

SECWA is also making greater use of contractors; generally in areas where the work load is variable. For example, contractors have been used to install gas pipelines and underground electricity cables in new residential areas, to construct transmission lines and, in some cases, maintain generation units.

Recently, the Western Australian Government announced (Media Statement 1991) that its next base-load power station will be a privately built, owned and operated coal-fired station at Collie, to begin operation in 1996.

Other initiatives directed at developing a more commercial approach to SECWA's operations include:

- tendering for the private construction and/or operation of a new base-load power station to ensure maximum cost-efficiency in the provision of additional capacity;
- negotiating with potential coal and/or gas producers for the supply of energy for new base-load power generation in a multi-fuel competitive environment;
- restructuring tariffs to reflect more closely supply costs;
- investigating cogeneration and buy-back schemes to improve resource utilisation;
- fostering competition between electricity and natural gas fuels; and
- increasing scrutiny of investment on capital works to improve the productivity of assets.

#### **4.6.2 Gas**

SECWA's monopoly over gas supply was removed in 1988. Companies finding commercial quantities of gas are now permitted to use it for their own purposes or to sell the gas freely, either to SECWA or any other organisation. These companies are also permitted to construct and operate private pipelines to allow the commercial marketing of gas.

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While the announced changes were primarily aimed at stimulating oil and gas exploration, they could subject the gas activities of SECWA to potential competition from rival pipeline operators.

The Western Australian Government also indicated that it is considering a number of expressions of interest, from the private sector, for the acquisition of the Dampier to Perth gas pipeline.