

## GOAL 1: BETTER SERVICES

### Electricity and Gas Industry Licence Exemptions

The *Electricity Industry Act 2004* and the *Energy Coordination Act 1994* govern the operation and regulation of the Western Australian electricity and gas industries respectively. The Office of Energy (the Office) administers exemptions from licensing as required under these Acts.

#### Strategic outcomes and achievements in 2007/08

Verve Energy was granted a licence exemption to distribute and sell electricity to Alstom Power within the NewGen Power Station site at Kwinana solely for the purposes of commissioning the NewGen Power Station.

In addition, nine specific and two general electricity distribution/transmission exemptions have been identified and are under consideration. Public comment on the exemptions has been sought and consultations conducted.

An exemption for the on-selling of gas to residential customers in group housing situations and the construction of gas distribution systems by property developers are under consideration. Public comment on the exemptions has been sought and consultations conducted.

A recommendations report has been provided to the Minister. The Minister has approved the briefing of Parliamentary Counsel to draft the appropriate orders for the Governor's approval and Gazettal.

#### Forward planning for 2008/09

Consideration of nine specific and two general electricity distribution/transmission exemptions will be completed and a report release for public comment.

Following this process, a recommendations report will be submitted to the Minister for approval to brief Parliamentary Counsel to draft the appropriate orders for the Governor's approval and Gazettal.

Exemptions for the on-selling of gas to residential customers in group housing situations and the construction of gas distribution systems by property developers will be drafted, approved and Gazetted.

### Performance Indicator Data

#### Efficiency Indicator: Average cost per strategic policy developed

Electricity Licence Exemptions

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

#### Efficiency Indicator: Average cost per strategic policy developed

Gas Licence Exemptions

2007/08 Target	2007/08 Actual
1 policy	Achieved
Awaiting drafting of order, Executive Council approval and Gazettal.	

## GOAL 1: BETTER SERVICES

### The Aboriginal and Remote Communities Power Supply Project (ARCPSP)

The ARCPSP is a joint initiative of the State and Federal Governments to regularise the power supply in large, permanent Aboriginal communities in remote Western Australia.

The Office oversees the delivery of the ARCPSP, which is implemented by Horizon Power. Remote Aboriginal communities serviced by this project are provided with safe and reliable power supplies with levels of service and prices equivalent to those of other remote Western Australian towns.

Phase One of the Project (ARCPSP1) completed in November 2007, regularised the supply of electricity to five large, permanent Aboriginal communities in the Kimberley: Warmun, Bidadanga, Ardyaloon, Beagle Bay and Djarindjin/Lombadina.

#### Strategic outcomes and achievements in 2007/08

The first community regularised was Warmun in December 2006. Regularisation was completed in the remaining four communities in November 2007.

Planning continued on the expansion of ARCPSP into a second phase (ARCPSP2).

Progress has been made through the Office's participation on the Taskforce on Essential Services to Indigenous Communities, towards developing options for electricity supply to remote Aboriginal communities with populations of less than 200 as part of planning for ARCPSP2.

#### Forward planning for 2008/09

Monitoring of ARCPSP1 communities and planning and development work for ARCPSP2 will continue.

A community acceptance survey of pre-payment meters (PPMs) in ARCPSP1 communities will be conducted. Funding and approval will be obtained to proceed with Stage One of ARCPSP2.

Funding agreement will be reviewed in cooperation with the Australian Government.

An agreement with Horizon Power will be developed, including a detailed project plan.

### Performance Indicator Data

**Effectiveness Indicator:**  
Improved regional and remote services, indicated by the achievement of the following milestones

1. Negotiation of an establishment agreement with Horizon Power to outline the service delivery arrangements for the implementation of the Aboriginal and Remote Communities Power Supply Project Phase Two.

2007/08 Target	2007/08 Actual
Oct 2007	Not achieved
The ARCPSP2 was delayed due to negotiations with the Commonwealth Government over funding.	

2. Aboriginal and Remote Communities Power Supply Project Phase One implementation complete in the five targeted communities.

2007/08 Target	2007/08 Actual
Nov 2007	Nov 2007
No variation between target and actual.	

## GOAL 1: BETTER SERVICES

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Research will also continue on options for electricity supply to remote Aboriginal communities with populations of less than 200. This research will be aligned with the principles of the Bilateral Agreement on Indigenous Affairs 2006-2010.

**Efficiency Indicator: Average cost of strategic policy developed**

Service delivery agreements with Horizon Power for Phase Two of the Aboriginal and Remote Communities Power Supply Project

2007/08 Target	2007/08 Actual
1 policy	Not achieved
The ARCPSP2 was delayed due to negotiations with the Commonwealth Government relating to funding.	

**Efficiency Indicator: Average cost of meeting major policy implementation milestones**

Remaining ARCPSP1 community upgrades completed and serviced by Horizon Power.

2007/08 Target	2007/08 Actual
3 milestones	Achieved
No variation between target and actual.	

**Efficiency Indicator: Average cost per strategic policy developed**

Development of policy advice on the delivery of essential services to all indigenous communities.

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

## GOAL 1: BETTER SERVICES

### Underground Power Program

The Underground Power Program (the Program) contributes in improving the reliability and overall performance of the electricity distribution network while delivering other benefits to the community such as fewer blackouts, improved safety and enhanced visual amenity.

The Program is administered by the Office and is jointly funded by the State, the respective electricity distributor (Western Power or Horizon Power) and participating local governments. The Program funds the retrospective installation of underground power lines in areas with overhead distribution systems.

Two types of projects are undertaken through the Program:

Major Residential Projects involve the delivery of underground distribution lines in suburban areas, typically of between 800 and 1,300 residential lots; and Localised Enhancement Projects which aim to beautify 'gateways', scenic routes and tourism/heritage centres, particularly in regional towns.

#### Strategic outcomes and achievements in 2007/08

##### *Round Three*

An agreement for the last of the Round Three Major Residential Projects was signed with the City of South Perth to convert over 1,656 lots in Como East to underground power. This project is underway.

During the year, Round Three Major Residential Projects in Fremantle, Nedlands East and Port Hedland were completed providing over 3,078 lots with underground power.

Detailed proposals were completed and funding agreements signed for Round Three Localised Enhancement Projects in Waroona and Manjimup. The Waroona project was implemented but not completed as delays with a larger project undertaken by the Shire of Waroona held up progress. The Manjimup project was completed during the year.

##### *Round Four*

An agreement for the first of the Round Four Major Residential Projects was signed with the City of Melville to convert over 1,509 lots in Mt Pleasant North to underground power. This project is being implemented.

### Performance Indicator Data

**Effectiveness Indicator: Progress with the State Underground Power Program (target 50% of Perth metropolitan homes with underground power by 2010), indicated by the percentage of Perth metropolitan homes with underground power.**

2007/08 Target	2007/08 Actual
47%	47%
No variation between target and actual.	

**Efficiency Indicator: Average cost of meeting major policy implementation milestones**

Major Residential Projects completed within the Underground Power Program

2007/08 Target	2007/08 Actual
3 milestones	Achieved
No variation between target and actual.	

**Efficiency Indicator: Average cost of meeting major policy implementation milestones**

Localised Enhancement Projects completed within the Underground Power Program

2007/08 Target	2007/08 Actual
2 milestones	1 achieved
There was a delay to the works in Waroona as it is a part of a larger project undertaken by the Shire of Waroona.	

## GOAL 1: BETTER SERVICES

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Detailed proposals for Round Four Major Residential Projects in Palm Beach in Rockingham, and Withers in Bunbury were further developed.

An Agreement for the first of the Round Four Localised Enhancement Projects was signed with the Shire of Toodyay to provide underground power along Stirling Terrace within the Toodyay town site. The Toodyay project is being implemented.

### **Forward planning for 2008/09**

A review of the Program will be conducted.

Major Residential Projects in Churchlands/Wembley Downs and Highgate are scheduled for completion in 2008/09 providing 2,625 lots with underground power.

Localised Enhancement Projects in Waroona, Toodyay, Brunswick Junction and Cowaramup are scheduled for completion in 2008/09.

In addition, detailed designs and Agreements for the remaining Round Four Localised Enhancement Projects in all short-listed proposal areas are expected to be finalised.

## GOAL 1: BETTER SERVICES

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### **Ministerial Advisory Committee on Electricity Supply**

The Ministerial Advisory Committee on Electricity Supply, comprising residential and small business representatives, was established as a source of independent advice to the Minister for Energy on the adequacy of electricity supply to consumers, particularly reliability and quality of supply. The Office provides executive support to this Committee.

### **Strategic outcomes and achievements in 2007/08**

The Committee had its first meeting in December 2006 and conducts meetings four times per year. The Committee has received briefings on the role of government in the WA energy sector, review of electricity retail tariffs and utilities hardship and provided feedback to the Minister on these and other matters from the perspective of residential and small business consumers.

### **Forward planning for 2008/09**

As Committee members are appointed for two years, the Office will undertake an Expression of Interest process in the second quarter of 2008/09 to identify Western Australians who may be interested in becoming new members of the Committee.

The Office will continue to provide executive support to the Committee and address issues that may arise from its regular meetings.

## GOAL 1: BETTER SERVICES

### Ministerial Inquiry into the Affordability of Bottled Liquefied Petroleum Gas (LPG) for Household Use in Western Australia

The Office supported the Ministerial Inquiry, led by Mr Mick Murray MLA and Mr Max Trenorden MLA, into the affordability of bottled LPG in Western Australia. The Inquiry's report was tabled in Parliament in August 2007.

#### Strategic outcomes and achievements in 2007/08

In May 2008, the Office provided the Minister for Energy with a Government response to the Ministerial Inquiry.

In response to the Inquiry's recommendation that LPG affordability be considered within an overall energy hardship policy, the Government announced funding in the 2008/09 Budget for a \$26.4 million Utility Hardship Package delivering:

- increased resources for financial counselling;
- a Hardship Utility Grants Program; and
- a hardship Efficiency Program that included a specific program to assist households in hardship who are dependent on LPG.

#### Forward planning for 2008/09

The Office will be implementing the Government's response to the Ministerial Inquiry.

The Office will develop a desktop model to assist regional communities with assessing costs and benefits of various gas reticulation options. The model will be used as an assessment tool to assist in identifying the feasibility of potential gas reticulation projects that local governments, regional councils, regional development commissions and regional businesses may wish to pursue.

The Office will develop an import parity pricing model for wholesale propane in WA to assist with the transparency of wholesale pricing of LPG for the domestic market.

The Office will continue to investigate and facilitate the development of an additional source/supplier of LPG for the domestic market.

### Performance Indicator Data

#### Efficiency Indicator: Average cost per strategic policy developed

Development of Government Response to LPG Inquiry

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

# GOAL 1: BETTER SERVICES

## Utility Hardship Policy

The Office commenced development of the Utility Hardship Policy. The Utility Hardship Policy aims to reduce the rate of disconnection and/or restriction of essential services amongst those who are unable to pay due to genuine financial hardship.

The Office's utility hardship policy development is informed by the work of the Government Utility Essential Services Hardship Interagency Working Group (the Working Group).

### Strategic outcomes and achievements in 2007/08

The Working Group was convened by the Office in June 2007, and is comprised of State Government agencies and Government owned utilities. Its task is to identify and report to government on possible improvements in the delivery of essential services to financially disadvantaged community members. It released its public issues discussion paper on Utilities Essential Services Hardship (Hardship Issues Paper) for comment in December 2007.

#### *Utility Hardship Program*

The Government's Utility Hardship Program was developed by the Office as part of its hardship policy development and in conjunction with the Electricity Tariff Review. The program also responds to the Inquiry into the Affordability of Bottled LPG for Household Use in Western Australia, and the findings presented in the Working Group's issues paper. Budget approval was obtained and the Program was subsequently announced by the Premier in April 2008 in conjunction with projected tariff increases.

The Utility Hardship Program has \$24.6 million funding over four years and comprises three initiatives: increased financial counselling services across Western Australia to assist those in utility hardship to develop financial management skills and break the utility debt cycle;

- a Hardship Utility Grant Scheme to assist those in utility hardship to meet their payment obligations and avoid disconnection or restriction of essential services; and
- a Hardship Efficiency Program to assist households in utility hardship to become more energy and water efficient. This Program provides free efficiency audits and fittings to households in private rental, public rental and owner-occupied accommodation.

## Performance Indicator Data

### Efficiency Indicator: Average cost per strategic policy developed

Development of draft hardship policy related to utility services

2007/08 Target	2007/08 Actual
1 policy	Not Achieved
Priority was given to the development and implementation of the Utility Hardship Program. While a draft hardship policy was not completed by the target date, a discussion paper was developed and released for public consultation.	

## GOAL 1: BETTER SERVICES

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The provision of increased financial counselling and the Hardship Utility Grant Scheme is administered by the Department of Child Protection. The Hardship Efficiency Program is administered by the Office.

### *Hardship Implementation Steering Committee*

The Committee was convened by the Office in cooperation with the Department for Child Protection in April 2008 to oversee the design and implementation of the Hardship Utility Grant Scheme.

### *Hardship Efficiency Program Sub-Committee*

This sub-committee was convened by the Office in April 2008 to oversee the design and implementation of the Hardship Efficiency Program.

### *Utilities' Hardship Policies*

The Office played an advisory role in the development of Synergy and Horizon Power's improved hardship policies. Their new policies reflect best practice in hardship management. Both utilities have reported that their improved hardship policies are reducing their disconnection rates.

### **Forward planning for 2008/09**

The Hardship Utility Grant Scheme was scheduled to commence in November 2008 but has been brought forward to August 2008 in response to social issues arising from the Varanus Island gas disruption which occurred in June 2008.

Hardship Utility Grants are currently limited to electricity, but will be extended to include water then gas.

The Hardship Efficiency Program will commence operation in late 2008.

The Hardship Implementation Steering Committee and the Hardship Efficiency Program sub-committee will continue to meet over the course of 2008/09 to monitor the implementation of their respective programs. This will ensure that any implementation issues encountered are resolved with the support of all stakeholders.

The Working Group will release its final report on Utility Hardship in the second half of 2008. This report will incorporate its formal recommendations to government on the hardship policy.

## GOAL 1: BETTER SERVICES

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### Special Energy Subsidies and Rebates

Special Energy Subsidies and Rebates are designed by the Office to address the specific needs of certain groups of people who are financially disadvantaged and incur higher than usual energy costs as a result of their circumstances. The Office's work in this area ensures that electricity prices are made more affordable for those in genuine need of financial assistance.

### Strategic outcomes and achievements in 2007/08

#### *Electricity Tariff Review - changes to rebates*

The range of energy subsidies and rebates were reviewed as part of the Office's Electricity Tariff Review. As a result of this review, two rebates will be altered at the time of the tariff increases.

- The Supply Charge Rebate will be decoupled from the electricity daily supply charge, and will subsequently be known as the Energy Rebate. This will enable the energy rebate to be reviewed without affecting the supply charge, and the supply charge to be reviewed without affecting rebates.
- The Seniors Air Conditioner Rebate will become the Air Conditioner Rebate, and eligibility will be extended to Pensioners' Concession Card holders who are also eligible for the Dependent Child Rebate. This addresses the difficulty that small children face regulating their body temperature, and also brings benefits to one of the most disadvantaged groups in the community.

#### *Department of the Premier and Cabinet's Concessions Review*

The Office participated in the Department of the Premier and Cabinet's Concessions Review.

### Forward planning for 2008/09

The Office will continue to assess Government energy concessions and rebates to ensure that they benefit those most in need. This work will inform the recommendations of the Government Utility Essential Services Hardship Interagency Working Group in their final report to Government. Rebates for energy efficient appliances for those in hardship will be investigated as part of this work.