

## SIGNIFICANT ISSUES AND TRENDS

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This section provides a summary of the Office of Energy's current and emerging issues and trends for 2007/08 and beyond.

### Climate change

A change of direction at the Federal level has increased demand on state government policy development. Growing public concern on the potential impacts of climate change coupled with increasing media attention on high profile national work programs such as the Garnaut report and Council of Australian Government (COAG) working groups has brought energy related greenhouse gas issues to the forefront. In response, the Commonwealth Government has committed to a range of climate change policy initiatives including the introduction of emissions trading by 2010, an increased Mandatory Renewable Energy target of 20 per cent by 2020. Work is also underway nationally to review programs across all levels of government for complementarity with emissions trading.

The Office and its Sustainable Energy Development Office (SEDO) has and will continue to play an important role in shaping the national policy debate and implementation of these climate change initiatives in the energy sector.

### Emissions trading

There is increasing consensus that a carbon price signal in the form of emissions trading will need to be introduced as part of a comprehensive strategy to reduce Australia's global greenhouse gas emissions. It will be necessary to ensure that any emissions trading model introduced delivers the energy needs of industry and the community consistent with providing competitive and reliable sources of energy for Western Australia. The Office has been active in providing advice on the ongoing development of a national emissions trading scheme.

### Renewable energy targets

The Office has concluded consultation on the design of a state-based renewable energy target for Western Australia. The Commonwealth Government's commitment through COAG to expand the national mandatory renewable energy target scheme will be a major driver of new investment in Western Australia. The Office is working with the Commonwealth Government to implement this commitment.

Issues for the electricity market associated with the growth in renewable energy generation for the electricity system were raised in the consultation process. A number of these issues are being considered further through electricity market rule change processes.

### Energy efficiency information

Strong demand for information on sustainable energy solutions for households and business continued in 2007/08. Additional resources were developed for circulation to assist community action in reducing energy consumption in response to the gas disruption arising from the Varanus Island incident.

### Energy efficiency rebates

Heightened consumer awareness of the environmental impacts of energy use has increased demand for all of the services offered by SEDO, in particular for rebates for renewable energy installations.

In 2007/08 the Office, through SEDO, issued rebates and grants totalling more than \$12 million for renewable energy and energy efficiency projects under the Renewable Remote Power Generation Program, Solar Water Heater Subsidy, SEDO Grants Program, Renewable Energy Production Subsidy Program, Photovoltaic Program and Solar Schools.

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### Aboriginal and remote communities power supply

The Commonwealth and the State have agreed as a priority, to work together to streamline the delivery of services to Indigenous communities, including electricity supply. Building on the experience from Phase One of the Aboriginal and Remote Communities Power Supply Project which is now complete, the next phases of the project are being progressed through the negotiation of the Federal/State Bilateral Agreement on Indigenous Affairs.

### Energy prices

Western Australia's strong economy is continuing to place pressure on the costs of providing energy, with increasing capital, labour, materials and fuel costs. Additional cost pressure is also expected in the future with the implementation of initiatives to address climate change. The Office has an important role in advising the Government on future electricity and gas prices, which balance economic realities with the long-term interests of consumers.

### Smart meters

Technology improvements in metering are increasing the scope for consumer participation in the management of demand for electricity. There is also the potential to deliver customer benefits from these technologies. Smart meter technology will enable the introduction of time-of-use tariffs, provide opportunities for customers to manage their demand, and also assist in facilitating the introduction of electricity full retail contestability. The Office is actively investigating the costs and benefits of smart meters, and will advise the Government on their potential introduction.

### Electricity Corporations

The creation of four Electricity Corporations: Verve Energy (generation); Western Power (networks); Synergy (retail); and Horizon Power (regional), has increased the scope for competition and focused the activities of the respective businesses. The restructure has also increased the transparency of the Electricity Corporations' operational and financial performance. The Office will continue to support the Minister for Energy in managing the Government's ownership interest in the Electricity Corporations in the more competitive and challenging environment.

### Reliability and quality of electricity supply

Western Power is undertaking a record investment program to improve reliability and quality of supply for customers on the South West Interconnected System (SWIS). However, an ageing network, together with rising demand for better reliability and quality of electricity supply, will require the development of innovative and cost effective solutions. The Office will continue to work to ensure the policy and regulatory frameworks drive timely, efficient investment in network infrastructure to meet the needs of customers on the SWIS.

### National energy policy

Streamlined, nationally consistent energy policy and regulation is an important contributor to the development of competition and economic efficiency in the energy sector. National uniform regulation of electricity and natural gas infrastructure is being implemented through the Ministerial Council on Energy. Western Australian energy infrastructure will continue to be regulated by the Economic Regulation Authority. The Office will continue to ensure that Western Australia's interests are actively represented in the development and implementation of these national arrangements and national energy policy.

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### Fuel resources and supply

An efficient energy industry requires competitive tension between alternative fuel sources. Adequate gas supply and transmission capacity and best practice in the coal, gas and renewable energy technologies will be needed. Continuing assessment of down stream market and regulatory outcomes, industry and technology developments and the implementation - in collaboration with industry - of policy responses to address barriers are required to ensure reliable competitively priced energy is available into the future.

### Energy security

Diversification of supply sources contributes to the security of supplies of electricity and gas. The importance of energy security to the State's economy was highlighted by gas supply disruptions during the year. Future policy initiatives such as emissions trading and national mandatory renewable targets will significantly influence future electricity generation solutions. Policies aimed at increasing gas diversity including accessing tight gas, will influence future gas supplies.