

Subject: Early comment on the State Electricity Objective

Hi Dora,

You asked the ECP for any early comments on the draft objective before tomorrow's WA ACE and TDOWG meetings.

I already mentioned my concern that the objective could be interpreted differently by proponents and the Minister/agencies unless a more detailed interpretation guideline is prepared, with criteria for determining compliance with the objective - a bit like the NEM guideline published by the AEMC to provide clarity on how they decide whether the NEM objectives are being met.

I have concerns with the part of the objective that states:

(3) For the purposes of subsection (2), the Minister, the Authority, the Coordinator or the Board may give the weight to any aspect of the State electricity objective that the Minister, the Authority, the Coordinator or the Board considers appropriate in all the circumstances.

My concern is that the Minister (more likely than the other agencies listed) could give a project or initiative a high weighting for whatever reason, even if it is not in the long term interest of consumers of electricity, if there are no more-detailed criteria against which to test compliance.

From my past experience in the energy industry I believe that some past Energy Ministers have made decisions which I don't think were in the long term interest of consumers, in that they have caused electricity prices to be much higher than they could have been and will be in future due to the ongoing interest and debt that resulted from the decisions. Excess expenditure, over and above what is efficient, is sunk and can never be recovered. It just adds to ongoing debt and interest. Writing-off or closing plant doesn't make the debt go away.

More than ten years ago I prepared the attached Powerpoint diagram listing decisions and practices that I felt at the time were causing electricity prices to be higher than they could be. A lot has changed since then but we are still living with the legacy of some of those decisions that in my view were not in the long term interest of consumers

Some past ministers have had 'pet projects' that they wanted to do for various reasons, including political - e.g. to get re-elected, that were not in the long term interest of consumers. Some were for 'state development' reasons, and so could be argued were in the long term interest of the state and its people even if they were/are being paid for by electricity consumers.

The 40c/kWh feed in tariff for 10 years for rooftop PV is an example of a poorly-targeted initiative that cost the government a lot, resulted in cross-subsidies and could have been better designed.

I believe construction of Collie Power Station (commissioned in 1999 at an overall cost of over \$900million at the time for 340 MW) was not in the long term interest of consumers. It is a high capital cost single-unit coal-fired power station (single unit because we have not needed the mirror-image second unit its common infrastructure was designed and built for). And now it is planned to be closed in 2027, well before the end of its design life of around 40 years. Its overall cost to consumers is significantly higher than necessary, especially considering we have had excess generation capacity in the SWIS for much of its life, until recently. I'm not against its early closure, but just citing it as an example of a decision that was not the best for consumers.

These are my initial thoughts, and I'd be happy to discuss them with you.

Cheers,

Noel