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## **Expert Consumer Panel submission on Electricity Industry Amendment Bill**

Dear Mr Thomas,

Thank you for the opportunity to make a submission in response to Energy Policy Western Australia's consultation on the Electricity Industry Amendment Bill.

The electricity and gas sector in Western Australia exists to meet the energy needs and expectations of consumers. It is central to energy production, delivery and services that the long-term interests of energy consumers are served. The Expert Consumer Panel (ECP) was established by the Western Australian Government to provide input on policy, rules and other processes across all aspects of the energy sector. The ECP has a broad membership base with representatives from the social welfare sector, climate movement, former senior energy sector executives and experts, all of whom bring a unique customer perspective to the work of the group.

The ECP strongly supports reforms to include overarching environmental and emissions objectives in the legislation that governs the Western Australian electricity sector, as well as introduce a consistent set of objectives across key legislation and supporting instruments. We consider, however, that the proposed objective could be strengthened to ensure it will deliver for the Western Australian community in what is already, and will continue to be, an incredibly challenging time as we race to decarbonise.

Western Australians are already being impacted by climate change, as are communities across the rest of the country and the world. According to CSIRO, Australia's climate has warmed by almost 1.5 °C since national records began in 1910, with clear trends in the intensity of extreme heat and rainfall events. At the same time, South Western Australia is becoming drier, with more frequent years of below average rainfall.<sup>1</sup>

Electricity systems will play a central role in:

- achieving our emissions reduction targets by moving from fossil fuel to renewable generation to reduce the severity and impacts of climate change; and
- helping make the community more resilient to extreme weather events.

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<sup>1</sup> <https://www.climatechangeinaustralia.gov.au/en/changing-climate/national-climate-statement/>

It goes without saying in this context that the environmental and emissions context must be an explicit consideration in operational, planning and investment decisions of all Western Australian electricity and gas systems. The draft legislation is a welcome step in this regard.

### **A broader framing reflecting the new context**

We are pleased to see the shift from an emphasis on ‘supply’ to the broader concept of ‘electricity services’ in the draft of the State Electricity Objective (SEO) for the proposed legislation. The rapid uptake of rooftop solar PV, as well as batteries and other ‘smart’ energy technologies, means that many Western Australians are meeting some (or all) of their own energy needs, and do not rely on traditional retail electricity supplies to the same degree as they might have previously. It would be a mistake however, not to see these Consumer Energy Resources (CER) as being part of the electricity system given the significant and growing role they are playing in powering the State.

We are concerned that the remaining references to ‘supply’ in sections 1(a) and 4 of the draft SEO may narrow the way ‘electricity services’ is interpreted and create uncertainty for decision-makers who are seeking to take a broader, more contemporary view of the scope of increasingly decentralised Western Australian energy systems. We therefore suggest the word supply either be deleted from the draft SEO, or replaced with the words ‘electricity services’.

We also suggest that the definition of electricity services in section 4 be broadened to incorporate ‘energy use’, which includes electricity services supporting heating and cooling, lighting, cooking, refrigeration, transport, demand shifting (including via storage), information technology and entertainment, and services to improve energy efficiency and demand management from production through to the end-use services. How households and businesses use energy and manage their equipment will be an increasingly important source of flexibility for the energy system in coming years, reducing system costs and helping keep bills down for everyone, and so it is critical that what is happening ‘behind the meter’ is explicitly considered in decisions made under the legislation.<sup>2</sup>

As electricity systems become more decentralised, but hopefully not divergent in terms of outcomes, ensuring that all consumers have access to reliable and affordable electricity becomes important in energy sector decision-making. How, for example, the nature of access will change as Western Power moves towards a ‘modular grid’ is a core question for planning and investment decisions in the coming years. The ECP suggests that consideration be given to how appropriate electricity access provision can be incorporated into the drafting including, in addition to quality, safety and reliability, in section 1(a).

The ECP also believes that the way the State Electricity Objective is framed needs to be broadened from the current drafting to ensure that social and distributional issues, as well as

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<https://energyconsumersaustralia.com.au/wp-content/uploads/ECA-KPMG-Demand-Flexibility-Final-Report-28-02-22.pdf>

issues around resilience, are explicitly considered by decision-makers operating under the Electricity Industry Act and supporting instruments. The ECP's view is that in a world where the climate is changing, economic, environmental and social objectives are inextricably linked and all must feature in the SEO. We note, however, that whereas the current Wholesale Energy Market objective references cost minimisation and demand side considerations, the draft SEO instead reflects a narrower economic efficiency framing used in deregulated markets such as the National Electricity Market (NEM).<sup>3</sup>

Two recent events remind us that the way climate change impacts Western Australians will not be uniform and the task of building the resilience, of not just the physical infrastructure but also households and communities, will need to be tailored to local needs and conditions.

The first event was the Christmas 2021 heatwave, where an extraordinary run of + 40 °C days caused key parts of Western Power's network to fail or trip off leaving thousands of households without electricity when they needed their airconditioning and refrigeration the most. These types of extreme events can also pose a life threatening risk to people with critical health support needs who are reliant on electricity to meet them. More recently, unprecedented floods in the Kimberley Region in January 2023 did not just damage energy infrastructure, but washed away roads making it impossible to truck diesel and LNG to many communities which rely on onsite liquid fuels for electricity generation.

In both instances, the human impacts of these events can only be properly understood by reference to the unique local social and economic circumstances of the communities affected.

For example, Perth's eastern suburbs which are both further from the coast and do not have good tree cover, can be up to 9 degrees hotter than others that do have these advantages, creating a very different set of needs in terms of air conditioning and housing energy performance and dramatically raising the health risks of blackouts.<sup>4</sup> More low socio-economic households are located in the eastern suburbs which compounds these risks.<sup>5</sup> There is also research showing a link between renting and unhealthy temperatures.<sup>6</sup> These risks are even higher in hotter parts of Western Australia. Horizon Power has noted that "[d]espite the Uniform Tariff Policy, northern WA's climate drives substantially higher energy consumption compared to the Perth metropolitan area, resulting in electricity bills which often run 70-90% higher than the rest of the state".<sup>7</sup>

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[https://www.aemc.gov.au/sites/default/files/2019-07/Applying%20the%20energy%20market%20objectives\\_4.pdf](https://www.aemc.gov.au/sites/default/files/2019-07/Applying%20the%20energy%20market%20objectives_4.pdf)

<sup>4</sup> <https://www.abc.net.au/news/2018-06-17/tree-canopy-in-perth-how-hot-is-your-neighbourhood/9857710>

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<https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/2033.0.55.001~2016~Main%20Features~IRSD%20Interactive%20Map~15>

<sup>6</sup> [https://www.betterrenting.org.au/renter\\_researchers\\_summer\\_23](https://www.betterrenting.org.au/renter_researchers_summer_23)

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[https://www.horizonpower.com.au/globalassets/media/documents/annual-reports/20212022/hor077---energy-charter-report-2022\\_web7.pdf?v=4ab406](https://www.horizonpower.com.au/globalassets/media/documents/annual-reports/20212022/hor077---energy-charter-report-2022_web7.pdf?v=4ab406)

Ruby Heard from the First Nations Clean Energy Network recently pointed out at Energy Consumers Australia's Foresighting Forum, that in addition to higher bills, many of Western Australia's currently non-regulated remote communities also face other major barriers to good energy outcomes. For example, many rely on antiquated prepayment technologies which can only be topped-up using a physical card, usually purchased from local stores which may not be open every day, meaning disconnection if they run out of credit, with metering that provides very little feedback on energy use making budgeting a guessing game.<sup>8</sup>

It is important to note that while the ECP does believe it is critical that the SEO be broadened to allow decision-makers to confidently engage with the intersection of social and energy issues, we recognise that there are a range of challenges that are beyond the scope of energy systems and markets to solve. We do however believe, with careful drafting that speaks to the role that energy can play in (for example) mitigating the risk that certain people, businesses and communities are left behind in the transition to a cleaner and more resilient society and economy, a workable delineation between what is inside and outside the scope of the Electricity Act 2004 can be made.

### **Guidance for decision-makers and clarity about direction for the community**

The ECP believes decision-makers need a high-level of discretion and flexibility in a rapidly evolving, uncertain context. However, overarching, principles-based guidance is needed to help them apply the SEO with confidence given the complex trade-offs that they will need to make as the energy system and community needs and expectations evolve in the coming years.

We note that the Australian Energy Market Commission, operating under the NEM framework, has published its own documentation about how it interprets and applies the national energy objectives as part of its stakeholder engagement strategy.<sup>9</sup> Energy Policy WA could be required to develop similar guidance that serves a similar role.

Importantly, this guidance could also speak directly to the community in less formal, legislative terms, about the why, what and how that sits behind the SEO and how their interests will be pursued. There is now significant evidence from Australian and international experience that community understanding and engagement is critical for trust and confidence in transformation strategies.<sup>10</sup> The explanatory memoranda for the legislation, as well as the Minister's second reading speech, should also speak to the broader context of the reforms.

We also note that the Western Australian Government is a signatory to the overarching Australian Energy Market Agreement (AEMA) which could, if updated, provide additional context and meaning around the SEO and a clear link to the National emissions reduction efforts.

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<sup>8</sup> See from 24 mins [Foresighting Forum 2023 - Part 5: Consumers' experiences in the current energy markets - YouTube](#)

<sup>9</sup> [Applying the energy market objectives \(aemc.gov.au\)](#)

<sup>10</sup> See for example, Energy Consumers Australia's consumer expectations research, <https://energyconsumersaustralia.com.au/wp-content/uploads/Future-Energy-Vision-Forethought-Household-Full-Report.pdf>

We would be pleased to provide any further information to support this submission and look forward to continuing to engage with you about these reforms.

Yours sincerely,

WA Expert Consumer Panel