

Western Australian government plans to carve up electricity network

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11 October 2001

In one of its first major undertakings since being elected early this year, the Labor Party government in the state of Western Australia has created a taskforce to restructure electricity services and further break up the state-owned supplier, Western Power. Energy Minister Eric Ripper said the one-year taskforce would select a design for an electricity market, which would include “full contestability” between power suppliers.

By creating a deregulated electricity market, the Gallop government will extend the agenda of the previous Liberal government of Richard Court. In January 1995, the Liberals split the State Energy Commission of Western Australia into separate gas and electricity utilities—AlintaGas and Western Power. By 2000, AlintaGas was fully privatised, with Utilicorp/United Energy holding a 45 percent stake.

Since Western Power’s inception in 1995, its workforce has shrunk by 37 percent to 2,600. According to the Department of Commerce and Trade, employment in the electricity, gas and water sector dropped 35.2 percent to 5,500 in the financial year 1999-2000.

Western Power currently holds 56 percent of WA’s electricity generation capacity. Announcing the taskforce, Ripper denied any plan to privatise Western Power, yet the government’s announced intention is to boost the position of private companies—invariably subsidiaries of giant transnationals.

The Department of Energy highlighted the government’s agenda when it stated: “The Minister for Energy recently set goals to be achieved over the next decade for an increased proportion of privately-owned electricity generation on the South West Interconnected System, the largest electricity market in the State. That market is currently dominated by the State-owned vertically integrated, Western Power.”

Western Power has already transferred electricity projects in the state’s north to private companies, claiming that tariffs on fuel, which were transported to Western Power’s facilities, were too high for profitable operations in some northern regions. Energy Equity Corporation and Woodside obtained an 18-year contract to supply the West Kimberley with electricity. Western Power used a similar excuse to hand over projects in the state’s mid-west this year. The 10-year contract is worth \$60 million to privately-owned StateWest Power.

The government’s primary purpose is to slash electricity tariffs for large industrial and mining companies. In a recent media statement, Premier Geoff Gallop announced that businesses using more than 300,000 kilowatts each year would receive a tariff cut from 20 cents to 16 cents per unit. More than 5,500 commercial users would benefit, costing Western Power \$2.1 million a year.

Gallop, like Court before him, has claimed that electricity “reform” will produce savings for household consumers. Over the past five years, however, domestic prices have risen by 3.3 percent to help finance business tariff cuts. High users in the business category now pay 15.16 cents after 1,650 units, considerably less than the residential tariff of 17.47 cents after 20 units.

Together with the major energy companies, the government has been at pains to claim that its plans will not lead to the type of crisis produced this year by energy market deregulation in California, where major private suppliers have withheld supplies or artificially inflated the cost, causing shortages, soaring prices and profit hikes of more than 100 percent.

Western Power managing director David Eiszele stated: “Our immediate focus should be on market design—not structural reform... The risks of

implementing structural reform without proper analysis of the changing market are significant. You only have to look at the situation in California, the UK, and the Eastern States [of Australia] to see the consequences of getting it wrong.”

The California disaster has reinforced public concerns about unprecedented electricity breakdowns in several Australian states since the implementation of a National Electricity Market (NEM) in 1995, which opened the way for corporate dominance of power generation and distribution.

The NEM was initiated by the Hawke and Keating federal Labor governments, starting with a special federal-state Premiers Conference in November 1990, which commissioned a study into establishing a country-wide free market, breaking up the previous network of state-owned power utilities.

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The Keating government adopted the 1993 National Competition Policy report by Frederick Hilmer (the Hilmer Report), which recommended that the electricity market should include “structural reform” of public monopolies and guaranteed private corporate access to essential publicly-funded infrastructure facilities.

Around the country, the results have been massive job-shedding, serious under-manning of critical services, drastic cuts to essential maintenance and lack of investment in urgently needed new generating capacity.

In early 1998, south-east Queensland, including the capital Brisbane, suffered rolling blackouts when four major generators broke down after years of neglect, leaving sewerage pumps inoperable, schools without power and causing car accidents because of failed traffic lights. In Victoria, the state Labor government cut electricity services to thousands of homes and small businesses during power shortages in early 2000, while private companies exploited the crisis to charge astronomical prices on the “spot” market for electricity. South Australia has also experienced summer time power shortages.

Across the Tasman Sea in New Zealand, the consequences of transforming public energy utilities into profit-seeking companies were displayed when cuts to maintenance led to paralysing blackouts in

Auckland, the country’s largest city, for almost two months in early 1998. The semi-privatised electricity supplier, Mercury Energy, had retrenched over half its technical staff, including most of the junction fitters needed to properly maintain power cables.

At the same time, none of the proclaimed benefits for household users have materialised. Instead, according to a recent report in the *Australian*, retail prices are set to soar in coming years. It revealed that experts had estimated that it would cost \$1 billion to develop computer systems to allow residential customers to choose between competing electricity suppliers.

The article concluded: “The competitive gains have been captured by the upstream sectors of the industry to the extent that not only are there now no benefits available to domestic customers, it is more likely that wholesale and retail electricity prices will begin to rise again.”

Recent developments in the West Australian gas supply network demonstrate that the major energy companies will not hesitate to bring strong financial pressure to bear on the government and regulatory authorities for higher residential prices. The US-Australian consortium Epic Energy recently demanded \$1 a gigajoule for transportation to Perth via its pipeline from Dampier to Bunbury, while the government’s industry regulator offered 75 cents. Epic Energy bought the pipeline from the government for \$2.4 billion in 1998.



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