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**Submission re: Consultation Paper - Energy Sector Governance: Proposed Changes to the Regulatory Framework**

Thank you for the opportunity to comment on the consultation paper and what is proposed in it.

I appreciate and commend all of the work Energy Policy WA (EPWA) and the Energy Transformation Implementation Unit (ETIU) are doing on energy reform, including improving governance, clarifying SRMC and market power mitigation etc.

As an electricity consumer, and one who advocates in the long-term interests of consumers, I have some concerns regarding the following (quoted) governance changes proposed in the above consultation paper:

- Changes to transfer a number of reviews of a policy or technical nature, from the ERA to the Coordinator. In summary, the intent of the proposed changes is to:
  - provide for reviews of a technical (power system related) or policy nature to be undertaken by the Coordinator, with reviews of an economic nature, including for setting various prices in the WEM, to be undertaken by the ERA.
- Monitoring the market – To support its market development role, the Coordinator will be responsible for monitoring the market for design problems or inefficiencies. The Coordinator must provide to the Minister a report at least once in every three years and the report must contain any recommended measures to increase the effectiveness of the market in meeting the Wholesale Market Objectives to be considered by the Minister.

I consider that the Coordinator and EPWA are not sufficiently independent of government and the Minister to perform WEM effectiveness reviews and state, in a frank-and-fearless, independent manner, findings in published reports to the Minister that may conflict with the government and Minister's views/policies, such as would be expected from an independent agency under good governance arrangements.

I understand that the Coordinator of Energy (Coordinator), who heads EPWA, is appointed by the Minister for Energy (Minister).

EPWA exists mainly to carry out functions defined by regulation and to serve the Minister and government. EPWA is a government agency acting for and at the 'bidding' of the Minister, aside from performing its regulatory obligations.

Governments come and go with election cycles. Energy ministers change regularly, even within terms of the same government. Energy ministers have different backgrounds and levels of knowledge about the electricity industry and so can make decisions that are not necessarily in the long-term interests of consumers.

The Coordinator will not be completely independent of government or the Minister, despite the Coordinator's best efforts to be so. This is likely to mean that the Coordinator's reviews and reports are unlikely to contain findings that are in conflict with the Minister or government's positions and policies, and so may not be completely independent and impartial as is required by good governance.

The consultation paper proposes that the independent Chairs of the Market Advisory Committee (MAC) and the Gas Advisory Board (GAB) are also appointed by the Minister for Energy in future.

The future MAC and GAB are intended to review the Coordinator's proposals as a form of independent governance. However, WEM effectiveness reviews are best carried out by an agency that is independent of government and participants in the WEM.

The Economic Regulation Authority (ERA) is independent of government. It has reported to the Minister on the effectiveness of the Wholesale Electricity Market (WEM) each year for some time, and its reports are published on the ERA's website so that they are visible to anyone. The reports have provided 'frank and fearless' analysis and recommendations to improve the WEM's effectiveness in meeting the Wholesale Market Objectives.

The Minister has criticised the ERA and these reports publicly in the past, including in parliament, due to the ERA's (independent) findings that challenge market arrangements decided by government or the Minister.

The WA Government also owns government trading enterprises Western Power and Synergy, two dominant participants in the South-West Interconnected System (SWIS) and WEM. The Government is also meant to represent consumers. The Government and Minister therefore have a conflict of interest in many decisions that affect the broader SWIS electricity market and consumers of its electricity.

The current Energy Minister is very knowledgeable about energy, and is driving and supporting a lot of positive reform of the energy industry - with the extensive assistance of EPWA and ETIU, aided significantly by expert consultants. Some past energy ministers have not had prior experience in the energy industry and have made decisions that have not been in the long-term interests of consumers, in spite of good advice from those in the industry.

From my time in the energy industry since 1984, I can provide a list of such decisions made by past energy ministers and governments. Most of these have contributed to higher electricity costs, than could have been the case. Some were made for purely political reasons – to get re-elected – rather than to achieve what is best for consumers in the long term.

I would be pleased to be able to elaborate on any aspects of this submission. Thank you for the opportunity to comment.

Yours sincerely,

Noel Schubert