

Western Power's poles and wires risk losing value as solar surges in popularity, analysts say

By Rebecca Turner

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Western Power's poles and wires are the Western Australian Government's best electricity assets to sell in a market trying to adjust to the surging popularity of rooftop solar, analysts say.

But they risk losing value or even becoming stranded assets when solar battery storage becomes affordable in coming years.

ACIL Allen consultancy group's Perth director John Nicolaou said that Western Power's poles and wires would be the easiest power asset to sell if the Government was looking for a quick way of reducing its debt.

"Regarding the highest price for the key energy assets, poles and wires would be the most valuable at this stage," he said.

"While solar will have an impact, there will always be a need for poles and wires. It's a game changer, solar. The greatest impact is on Synergy's business model."

Sustainability analyst Jemma Green said it was unlikely the value of poles and wires would drop as more people installed rooftop solar panels, because Western Power received a guaranteed amount of tariff revenue, regardless of demand.

Ms Green said energy retailer Synergy's generation assets, or power stations, would be more likely to fall in value.

"I place that risk at very low probability," she said.

"It's really only the generation assets — Synergy's generation assets and private enterprise's generation assets — that have a risk attached to them."

WA embraces solar technology

Western Australians are some of the nation's most enthusiastic adopters of rooftop solar technology.

More than 190,000 Perth households have rooftop solar systems and, according to the Clean Energy Council, Mandurah is the second-highest solar postcode in the country.

On the hottest day last year, January 5, rooftop solar reduced the peak demand on the South-West Interconnected System by 187 megawatt, according to figures from the Independent Market Operator.

Industry observers are keenly awaiting the arrival of affordable solar battery storage technology, with both Synergy and gas retailer Alinta flagging their intentions to enter this market.

But while Ms Green said Western Power's business had not been hurt by the popularity of rooftop solar, a new study she has co-authored highlights the risk to the value of its grid assets from mainstream adoption of solar battery storage technology.

"It may result in transmission and distribution assets being underutilised and surplus to requirement, i.e., becoming stranded assets," the study, co-authored with her Curtin University colleague Peter Newman, said.

Ms Green said without policy intervention, the value of the grid would drop in future years if it was underutilised when battery storage became more widespread.

"The longer you leave it, the greater the impact the technology would have on the network," she said.

Western Power's poles and wires have been valued at between \$12.7 billion and \$15 billion by Infrastructure Partnerships Australia.

IPA's analysis is based on 2014-15 annual reports and shows that the assets' sale would make available between \$827 million and \$1.2 billion in Federal Government funding for other infrastructure projects via the asset recycling program.

With a \$3.1 billion deficit and debt to hit \$31 billion this financial year, the WA Government is under increasing pressure to sell assets to help its budget bottom line.

But Western Power's transmission and distribution assets were not among the string of power assets it flagged for sale last year, and Premier Colin Barnett has repeatedly said he would not sell poles and wires.

Instead, the Government announced its plans to sell other Western Power assets, such as street lights, as well as individual Synergy and Horizon Power generation assets, including the Muja AB coal-fired power station and Mumbida wind farm.



PHOTO: Analysts say Western Power's poles and wires network are the Government's best asset sale option.

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