

UNCORRECTED PROOF ISSUE

**Friday 7 December 2018 - House of Assembly - Government Businesses Scrutiny Committee -
Tasmanian Networks Pty Ltd**

HOUSE OF ASSEMBLY

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

Friday 7 December 2018

MEMBERS

Mr Hidding (Deputy Chair)
Mr O'Byrne
Ms O'Connor
Mr Shelton (Chair)

SUBSTITUTE MEMBERS

Ms Standen
Dr Woodruff

IN ATTENDANCE

Hon. Guy Barnett, Minister for Energy

Ministerial Office

Mr Ashley Bastock, Chief of Staff
Ms Vanessa Pinto, Senior Adviser

Tasmanian Networks Pty Ltd

Dr Dan Norton, Chairman
Mr Lance Balcombe, Chief Executive Officer
Mr Ross Burridge, General Manager Finance & Business Services
Mr Wayne Tucker, General Manager Strategic Asset Management

The Committee resumed at 2 p.m.

CHAIR (Mr Shelton) - Good afternoon, minister. I will give you the opportunity now to make a short opening statement to get this process underway.

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Mr BARNETT - Thank you very much, Chair and members of the committee, for the opportunity to be here for the scrutiny hearing. We are very pleased to be here to highlight the work of TasNetworks for 2017-18, and in particular note the groundbreaking work in the assessment of the further interconnection to unlock Tasmania's exciting future as the renewable energy powerhouse of Australia.

What has been most pleasing is TasNetworks' unwavering commitment to deliver lower costs, returning benefits to the people and business of Tasmania with a 20 per cent decrease in network charges to distribution customers in 2017-18. When network charges form upwards of 40 per cent of the cost of electricity prices for regulated tariffs, TasNetworks' contribution is significant.

I also advise the committee that the Australian Energy Regulator's annual benchmarking report has demonstrated that TasNetworks continues to be the most efficient transmission network provider in the National Electricity Market. Great news.

The strategic focus the Government has with TasNetworks is part of the Tasmania First energy policy to deliver the lowest regulated electricity prices in the nation by 2022, and likewise having now achieved that status, as confirmed by the independent Office of the Tasmanian Economic Regulator in July earlier this year.

TasNetworks' attention to sound business management extends to their profit results delivering in 2017-18 an after-tax profit of \$59.2 million - above expectations - with a target dividend to shareholders of \$77.6 million.

TasNetworks continues to support the Government in achieving our Tasmania First energy policy to reach 100 per cent fully self-sufficient, fully renewable by 2022. Combined, the 260-megawatt Cattle Hill and Granville Harbour wind farms will play an important role in achieving that target, and we are on track. TasNetworks has certainly played an important role with those projects.

Unlocking Tasmania's potential as the renewable energy powerhouse of the nation is the backbone of TasNetworks' federal- and state government-supported Project Marinus. Project Marinus is a transformative project supported by the federal government through ARENA's \$10 million investment and engagement and is regarded as priority national infrastructure by Infrastructure Australia, forming part of the set of strategic projects the Energy Security Board will be addressing with the COAG Energy Council at the December meeting. Only just today I met with the deputy chair of the Energy Security Board to discuss these very important matters.

The Government welcomes the discussion about Project Marinus and its position as a part of the wider strategic considerations for the future of the National Electricity Market. Our expectation is that the Project Marinus report will be released in the coming months after due consideration by government. The development of this project forms a part of the Battery of the Nation renewable energy developments for Tasmania that can deliver a doubling of our energy capacity through new pumped hydro energy storage initiatives and further increases in on-island wind energy.

TasNetworks' drive to lead through innovation has also been demonstrated this year with a highly successful Bruny Island solar and battery project, another joint initiative with ARENA that brought on board a consortium of universities, including the University of Tasmania. This innovative and community-inclusive project to create over 30 solar and battery mini-power station

homes on Bruny Island has won quite a number of awards throughout the year, and congratulations indeed.

A 16 per cent growth in the number of customer-initiated connections reflects the strong economic conditions in Tasmania and TasNetworks has worked actively over the past 12 months to address this increased demand. TasNetworks has worked hard to keep the lights on, with crews working determinedly alongside Tasmania's emergency management services restoring power safely and quickly to over 90 000 homes and businesses during the May storm events in southern and other parts of Tasmania. TasNetworks continue to play a pivotal role in the Tasmanian energy industry, looking after the needs of residents and businesses alike with a focus on innovation for the future energy needs of our state. I will now hand over to the chair to provide additional opening remarks.

Dr NORTON - I will be very brief. We had a successful year in 2017-18. It's hard to remember sometimes that we merged these two businesses not that many years ago. We have made a very big step in the last 12 months with our Ajilis project, which is now an award-winning project that came in on time and on budget. Ajilis enabled us to replace a lot of the legacy systems that we obtained from Aurora and Transend, so that was a very notable achievement. It was a very expensive project, over \$50 million, and its SAP installations are notoriously difficult; there have been a lot of very problematic SAP implementations. Under Lance's and particularly Ross' leadership we have been able to put in a governance arrangement which enabled that project to be completed.

There are a whole lot of other things we've done. We have been innovative; the minister has mentioned the Bruny Island battery trial. We are very keen to try to work with our customers to enable them to utilise new distributed energy resources, be they solar or battery; that is part of our focus. Lance and his team are doing an excellent job. We have some issues which we will talk about as we go through. We have issues with bird death and we've always got issues with safety - we are never happy with safety performance - and we are happy to talk about those things as we go.

Mr O'BYRNE - I put on record the Labor Party's appreciation for the work of TasNetworks during some significant weather events in the last 12 months or so. Keeping the lights on and getting power back on to people's properties are a key part of your role but it's done in some of the most difficult of circumstances, so for the record we want to give our thanks to your staff.

Yesterday we heard in estimates for the Hydro that the minister was unaware or had not been fully briefed on the legislation introduced into federal parliament during the week, what is now called the 'big stick' legislation where if GBEs are not acting in a way that suits the federal government, they could seek action to sell off energy assets. Is TasNetworks aware of this legislation, have you briefed the minister and are you concerned about it?

Mr BARNETT - Thanks very much for the question. As I said yesterday, this is bunkum. It is scaremongering by the Labor Party and a very low effort on your part to scaremonger members of the public. Let me make a couple of comments.

Mr O'BYRNE - Your opposition members in Queensland have criticised it, why aren't you?

Mr BARNETT - We have the lowest regulated power prices in Australia, unlike under your previous government where you hiked the prices some 65 per cent, so we will not be lectured by

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any member of the Labor Party, and particularly you, Mr O'Byrne, when it comes to keeping power prices low.

Mr O'BYRNE - It's about selling the asset and understanding the federal government's going to tell you to sell it.

Mr BARNETT - Having said that, you know the position of our Government is very clear. We have no intention of privatising Hydro assets. You know that. That is on the public record, unlike the position of your sister, Michelle O'Byrne, who said on the public record during the election campaign that it was on the table. She could not give a definitive response. The specific question to Michelle O Byrne was whether Labor would sell TasNetworks and she could not give a definitive response.

Mr O'BYRNE - I think you are missing the point.

Mr BARNETT - This is scaremongering of the worst kind.

Mr O'BYRNE - The question is you will not have a choice. It is federal government legislation where they will compel you to sell assets if it is inconsistent with the outcomes of that legislation. The question is, and I asked it yesterday - and you clearly were not briefed from the federal government on the proposed legislation. You were not across the details. Hydro was not across and not asked for the advice. When there is significant federal government legislation, as a minister it is your responsibility to seek a briefing and seek advice from your GBEs that are absolutely in the gun in this legislation. Have you sought advice from TasNetworks about the impact of this legislation?

Mr BARNETT - Chair, in answer to the question I can advise that the Tasmanian Liberal Senate team has put out a joint release today. In the first paragraph it said under the 'big stick' energy legislation public power assets will remain in public hands and there will be a tough cop on the beat if Labor governments and the big energy companies try to gouge their customers. Senator Abetz said Labor is again working against the national interest and trying to divide the community based on lies to protect the sectional interests of big unions and big business. Clearly, responsible state governments have nothing to fear but as the Tas Liberal's Government which has delivered the lowest regulated power prices in the nation. It is nothing more than scaremongering from my counterpart, Mr O'Byrne.

Mr O'BYRNE - Minister, you read a statement from the Liberal Senate team. Do you have anything from the Treasurer, Josh Frydenberg. It is his legislation.

Mr BARNETT - This is a position of the Tasmanian Liberal Senate team. You heard my response yesterday -

Mr O'BYRNE - That was manifestly inadequate.

Mr BARNETT - that I am not concerned for and on behalf of the state government and the people of Tasmania. What I am concerned about is a Labor government working with the Greens that will put power prices up like you did under the previous regime, some 65 per cent.

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Mr O'BYRNE - Suffice to say you have not sought advice - you had not yesterday from Hydro. I am not sure if you have scrambled in the last 24 hours to grab it. Have you sought advice from TasNetworks on the impact of this legislation on TasNetworks? It is a yes or no answer.

Mr BARNETT - Let us be very clear: I talk to and meet with and have consultations and discussions with all of the GBEs from time to time -

Mr O'BYRNE - We will take that as a no then.

Mr BARNETT - on a whole range of issues. This matter has been in the public arena for some time. You are aware of that. I advised you yesterday of that.

Mr O'BYRNE - Forced privatisation of public assets has not been in the public arena.

Mr BARNETT - Your allegations are scaremongering.

Mr O'BYRNE - There is nothing in the public arena until we saw the legislation.

Mr BARNETT - Only through your sister, Michelle O'Byrne.

Mr O'BYRNE - That is pathetic. Until we saw the legislation in the federal parliament that was the issue, so I will take it on the record that you have not sought advice from TasNetworks on the impact of this federal legislation. I will take that as read.

Mr BARNETT - No.

Dr WOODRUFF - Chair, a point of order. I find it slightly offensive that the minister keeps referring to the member for Bass, Ms O'Byrne, as the 'sister, Michelle O'Byrne'. I find that disrespectful.

Mr BARNETT - In what way?

Dr WOODRUFF - That is not the appropriate way to talk about a member of parliament, to address a member of parliament.

Mr BARNETT - As the member for Bass, the sister of David O'Byrne.

Dr WOODRUFF - You did not say that. You did not say 'the member for Bass'. You said, 'your sister, Michelle O'Byrne'. That is disrespectful.

Mr BARNETT - I used her name - Michelle O'Byrne.

Dr WOODRUFF - You were being disrespectful, minister.

Mr BARNETT - That is her name. I reject that totally.

CHAIR - In referring to other members of the parliament we know how that is done. I never really picked it up. I never pick up anything of concern but I will listen more closely in the future.

Dr WOODRUFF - Thank you, Chair.

CHAIR - We are in this situation, please ask a question then allow the minister to answer before interjections happen again.

Mr BARNETT - Chair, for the record I was referring to Ms Michelle O'Byrne, the member for Bass who is the sister of David O'Byrne, who during the election campaign could not rule out the sale of TasNetworks, a government-owned energy business.

Mr O'BYRNE - We have never concealed that relationship. We have made it very clear. Birth certificates, primary school, high school. At a number of elections, we have made that clear.

In terms of the Project Marinus, the project that is being worked on, we are very concerned about the potential implications of this federal legislation. How much has been allocated from Tas Networks to date on this project and what do you perceive?

Mr BARNETT - Do you mean in cost, or in terms of effort?

Mr O'BYRNE - What do you mean?

Mr BARNETT - I am happy to respond either way. I am seeking clarification.

Mr O'BYRNE - In terms of that current project, what is the cost? I know people are putting in a lot of effort.

Mr BARNETT - Thank you for the question. The state government through TasNetworks has committed \$10 million and the federal government through ARENA has committed \$10 million. That announcement was made last year about this time by Josh Frydenberg, the then federal minister for energy, the Premier Will Hodgman and myself. That commitment was made; it is on the public record. There was \$10 million from the state government and \$10 million from the federal government.

Mr O'BYRNE - How much has been spent to date?

Mr BARNETT - We would have to check. I am more than happy to get back to you, unless you have further advice? I will check with the CEO.

Mr BALCOMBE - It is around \$4 million.

Mr O'BYRNE - The money that has been allocated by ARENA, the combination of funders, is that going to be enough to get it done?

Mr BALCOMBE - Yes.

Mr BARNETT - When you say 'get it done' we are getting it done. The work that has been undertaken this year is a feasibility study into the merits of further interconnection, a draft report was released in July, and other reports have been made available during the year. As I said in my opening remarks, we expect the final report to be released following government consideration in coming months.

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The second part of the work to be undertaken would be a business case which is anticipated for next year, 2019, and that would be undertaken during that year.

Dr WOODRUFF - In July this year there was a report in the *Mercury* newspaper that some Tasmanian residents had received notice that their point of connection was inaccessible or substandard. I haven't seen any follow up information about this. I am not sure -

Mr BARNETT - Which report was that?

Dr WOODRUFF - This is 12 July 2018 with a resident quoted as saying -

Mr BARNETT - On the ABC was it?

Dr WOODRUFF - The *Mercury* newspaper, quoted as saying that he had been given a letter from TasNetworks requiring him to make some changes to points of connection, or that were now non-compliant. They had been compliant and they were now non-compliant and it was his responsibility to maintain that. This person was given 30 days to undertake that work and that estimate of cost that he would have to bear, he says in the newspaper, was up to \$6000. TasNetworks couldn't say how many changes there were until they were required to attend the site and the issues had been identified and reported. This was a result of safety issues that the letters were being sent out.

Minister, or through you to the CEO, could I have a bit more information about that situation? How many non-compliance letters were sent? Did that occur?

Mr BARNETT - Thanks very much for the question. You have identified one particular matter in the *Mercury* newspaper of July this year. I would be more than happy to pass to the CEO to see if he can possibly respond to that query that you have put. I note that safety is always a top priority. I am sure the CEO will back that up 100 per cent and try to respond to your very specific query.

Mr BALCOMBE - Thanks, minister. I recall that case. My recollection is that it was regarding the height of the point of attachment on the house, so it was not compliant. We asked the owner of the house to rectify that to make it safe.

We discover many compliance matters. I am not aware of how many of those letters we may have sent but we can find out for you.

Dr WOODRUFF - Can I take that as a question on notice?

Mr BARNETT - If you would like to. Let us be specific with the question.

Dr WOODRUFF - Could you provide how many compliance notices have been sent out about that issue?

Mr BALCOMBE - Is it in relation to that specific issue or compliance matters.

Dr WOODRUFF - No, letters about non-compliances in the last year.

Mr BALCOMBE - I could not tell you but we could find that number.

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Dr WOODRUFF - You were going to go on. Sorry, I interrupted you.

Mr BARNETT - What you would like is: how many letters of non-compliance have been sent out during the 2017-18 financial year.

Dr WOODRUFF - Yes. It is about this whole area. It was a 30-day period to rectify this situation. Is that the time frame usually given to people to rectify a non-compliance?

Mr BALCOMBE - I am not sure. It may depend on the severity of the non-compliance. If we think it is creating a safety issue that could manifest itself in electrocution or such other risks, we would probably shorten the time frame. Generally, we work with the customers in how we can do that. If they have challenges with time frames, we can assist them with lining up contractors and such.

Often these non-compliances are discovered by our field teams or our meter readers. We need to make sure our supply of electricity is safe and complies with our standards. My own case in point, I needed to raise my own point of attachment at my holiday house where I had a non-compliance, albeit, I self-complied rather than to waiting for a letter.

Mr O'BYRNE - You got a ticket?

Mr BALCOMBE - No, I got someone to do it. Notwithstanding that, it is something we take very seriously. We ask our people to have eyes and ears open for non-compliances and to report them. We will do our best to work with the customers to assist them to meet their time frames.

Dr WOODRUFF - Is it the case that the non-compliance could have occurred through no fault to the person, as this person claims? They had not done anything but the standards changed and that put them into non-compliance, when once they had been compliant. It is not their fault but they are being asked to make changes. Wayne is nodding. Is that the case?

Mr BALCOMBE - Yes, that is the case. Standards change. Some of these are national standards, I presume, Wayne. We have to ensure that people's supply is safe and in accordance with standards.

Dr WOODRUFF - The time period people are given is typically 30 days, which is what this gentleman has said. But then you are saying that TasNetworks says in its letter that they are open to negotiating the time.

Mr BALCOMBE - I do not know; I would have to check. I am not sure whether it is typical. I think the time frames would often depend on the severity of the issue.

Mr BARNETT - If you want further information, I am more than happy to assist.

Dr WOODRUFF - Yes, I would like some more information on that if that is okay, thank you, minister.

Mr BARNETT - Could you be specific with the question? TasNetworks needs to know exactly what the question is

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Dr WOODRUFF - How many non-compliances were there in last year? What time frame are people given to fix a non-compliance? Does the letter say that there is flexibility; that it can be a matter of discussion with TasNetworks?

Mr BARNETT - Thanks very much, we are happy to assist.

Mr O'BYRNE - Minister, could TasNetworks update the committee on the progress of the SAP project?

Mr BARNETT - As in the Ajilis Project that you asked about during Budget Estimates?

I am more than happy to respond to that question. I can assist by commencing with it. It went live on 5 March 2018, it is a two-and-a-half-year program. We are certainly pleased with the outcome. The Chair in his opening remarks indicated it was on time and on budget. The final cost was \$58.45 million. That was a nearly \$100 000 over budget or 0.5 per cent.

Broadly on time and on budget, Ajilis is expected to deliver \$68.2 million in benefits and IT-avoided costs and process efficiencies over the 10-year period. It is designed to drive efficiencies within TasNetworks business operations. The project has focused on delivering quicker response times and outcomes for TasNetworks' customers. We are looking at delivering this. It is being delivered in two phases. The program replaced over 60 aged and aging systems, including multiple critical asset management applications that were at the end of their lives with an integrated SAP technology solution, which the CEO can add to very shortly. It will be the centrepiece of TasNetworks' information technology platform in the future. Thank you very much for the opportunity to answer this question. I ask the CEO can add to it.

Mr BALCOMBE - Thanks, minister. You have covered it pretty well.

The implementation has gone well. It introduces a profound amount of change in our business. We had many disparate systems that were at end of life and alongside that we had systems that were not functioning well so there was a lot of internal workarounds. The difference with the SAP system is that it is a workflow. In order for the work to progress through, you have to follow the process. Initially a few people were challenged by the fact that they had to make the workflow.

The other area where we have some challenges is in our field teams. We have introduced mobility so a lot of our field teams have Touchpads. They get their work on a mobile platform. Their schedules and time sheetings are on those platforms. One of the challenges we have had is that we probably could have done more training with regard to IT literacy in particular.

On reflection, could we have done more in change management? Yes, but in the end, we had a project that was ready to go live; we took it live and to some extent we are learning as we are going. When I talk to some of our counterpart organisations on the mainland who have implemented similar systems I understand that they suffered the same challenges with regard to change management and the impact on team members who were less IT literate.

However, the minister indicated that we are confident that will meet the \$68.2 million in benefits. Our forecasts show that we will get another \$4.5 million on top of that. We are starting to see the benefits of it where we have one source of truth veristic asset data. We used to have three asset management systems and two payroll systems. We are bearing the benefit of having all our data in one place. We now have a payroll system where people have self-service. They can change

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their bank account details, load in their annual leave. The workflow travels automatically to their leader to be approved. It has some very good governance frameworks.

Next, we need to think about how we can get some good data out of the system so we can mine the data and drive efficiencies. The next level of benefit will probably come from all the data being in one place and how we can start to measure some of our deliverables, such as pole replacements and some of that routine work where we think we can start to drive efficiencies, and also about how we plan our work. It creates the opportunity to think about how we can package up work.

If you think about what might happen, we might go into a suburb at the moment and replace three poles, but we might do that in three separate visits. What the SAP work is allowing us to do is to plan a suburb and go in and do all of the work on that suburb so we actually have one outage rather than three, and start to drive efficiencies with regard to that.

A recent example of that was on Bruny Island, where we sent two or three teams out there for about a week and they did all the work that was needed to be done in one hit. It's very efficient. Obviously there were varying impacts for the customers over the course of that week, but we were in and we were out. There is a real opportunity to start to drive some efficiencies. From the perspective of the delivery of the project itself it was very successful. It has been recognised; it won the Institute of Project Management IT Project of the Year that was recently awarded.

Mr BURRIDGE - For Australia.

Mr BALCOMBE - For Australia - thank you, Ross. Obviously there is more work to do with it and do on it.

Mr O'BYRNE - We understand that since the project was delivered there has been a number of variations to it. Can you outline those, please?

Mr BARNETT - I will pass to the CEO to respond, but before I do I want to say I think the CEO has perhaps undersold it a little bit because there was not just one award but several awards for the Ajilis Project and the work of TasNetworks. I am happy to outline that in due course, but TasNetworks has put in a huge effort on the Ajilis project and the most recent one was the 2018 National Project Management Achievement Award for ICT and Telecommunications from the Australian Institute of Project Management. It's a great credit to them. There were many other awards for this project.

Mr BALCOMBE - As I indicated earlier, when we went live we realised there were a few things that perhaps needed alteration. Part of that was that this was a three-year project. We first started designing what this package was going to look like back in 2015 before we actually got the business case approved. Part of that context is that you don't know how all these things work until you get your hands on them. We recognised once it went live that there were some opportunities to improve that and put aside a dedicated team - Ross, what was the group that ran that?

Mr BURRIDGE - It was SAP Next Steps.

Mr BURRIDGE - That group we formulated from a couple of perspectives - to help team members where they had issues with regard to how they might operate the software and also to identify issues with regard to how it was operating. One of those challenges, for instance, is in regard to one of the programs called Works Manager. Works Manager is designed to update the

asset information every day. Back when we designed that in 2015 when that blueprinting was done, the team decided we would update that asset information every day, which seemed like a great idea. The problem was once we went live and started to load up our asset data every day, in some instances it was taking a long time for that software to replicate. People were sitting around looking at their laptops loading up this data.

That was creating some frustrations and, frankly, some inefficiencies. It has taken some months to resolve that, but I think as late as last week we've got that resolved. Basically what happens is it now picks up the changes on a daily basis. Just to preface that, it is very important that people have up-to-date asset information, because when they go out and work on the network they need that asset information to be up-to-date, both from a safety and design perspective so they know what they are doing. That has now been resolved, so when they come to log into our system it then does that large update online and it's much faster. There's been a few instances of that. I think we'll continue to always work on and refine the package.

Mr O'BYRNE - How many people are in that Next Steps team?

Mr BURRIDGE - The team has now disbanded. Next Steps was only in place for the first six months and there were probably about eight to 10 in that team - that's off the top of my head. We were very keen to make sure a line was drawn under the Ajilis project and it went into business as usual. SAP Next Steps was a business-as-usual program that didn't affect the capital cost of the project, it was met out of the operating expenditure of the business. We wanted to operationalise the system very quickly and that's what we did. Now it's in business as usual completely.

Mr O'BYRNE - It's about the job list and the connection to the people in the field - that was one of the variations? What other variations have there been? I understand there was a variation around leave management as well. Is that right?

Mr BURRIDGE - I'm not sure of that. One of the strengths of the opt-out implementation of SAP is that we made the decision to implement SAP out of the box. We didn't customise it, we didn't make any modifications to it, and we still haven't. We configure it to do certain things. The configuration was ordered for the sinking of the works manager, but I'm not aware there was any issue with leave.

Mr O'BYRNE - Is there any implication of overcharging customers because of a disconnect between the job list, what jobs were done, how that was reported back, and then incorrect information sent to customers? There were no examples of that?

Mr BALCOMBE - I'm not aware of any.

Mr O'BYRNE - In terms of \$58 million up until March 2018, you had a team of 10 people for six months and you've had some workarounds on some major aspects of it in terms of the job list and management. How much has that cost you? You've got 58 million to get it to start-up, and then you've got the variations. How much has that cost?

Mr BARNETT - Would the CEO or Ross Burridge like to have a go at that answer?

Mr BURRIDGE - The \$58.2 million was the budget and \$58.45 million was the capital amount, so that's the amount we could charge to our balance sheet. SAP Next Steps, from memory, was about \$1.2 million of operational expenditure, so it was just met within the normal operating

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costs of the business. We weren't adding to the asset, in other words, we worked to embed the system in the -

Mr O'BYRNE - To make it work?

Mr BURRIDGE - It was working, but to make it work better.

Mr O'BYRNE - You've got the capital costs. What other costs are involved with the SAP project that are outside the 58 million scope?

Mr BALCOMBE - I'm not sure there are any.

Mr BURRIDGE - Like any software package there are ongoing licence fees per annum. Our \$68 million worth of benefits also includes the licensing we saved on our legacy systems, those systems we retired. We no longer have to pay licence fees and maintenance fees on those. SAP does have an annual cost because you've got to maintain the system. They provide enhancements to us all the time, but the net benefit is it's cheaper on a net basis for the SAP single cost than it was for a multiple system cost.

Mr O'BYRNE - Have there been any job losses associated with the implementation of SAP?

Mr BALCOMBE - I'm not aware of any.

Mr O'BYRNE - In terms of the efficiencies? In some respects when could bring in a new system that creates a level of efficiency, a whole range of organisations then identify potentially roles that are no longer required. Are there any roles that are no longer in the company because of the implementation of the SAP system, or scheduled to be not involved in the company because of the SAP system?

Mr BARNETT - You've got the numbers employed by TasNetworks at the beginning of the 2017-18 year and you've got the numbers at the end. I don't know if the CEO can add to that.

Mr BALCOMBE - What I can say is there were some specific roles that were created specifically for the implementation. I'm trying to think of the right word, Ross. Subject matter experts went into the project.

Mr O'BYRNE - They are included in the 58?

Mr BALCOMBE - They are part of the 58 so they are part of the capital cost. A few of those people did not continue on in the business. So far as the implementation, what I would suggest is some peoples' roles may have changed but from a point of view of a net perspective I do not think there has been any targeted reductions as a result of the SAP accreditation. What it does do is to create the opportunity to increase the utilisation of our people and drive efficiencies that way.

Mr O'BYRNE - So \$68 million. Could you outline how you save \$68 million?

Mr BARNETT - Thanks for the question. The \$68.2 million in benefits and the CEO in your remarks referred to the long-term forecast set to exceed that by some 4.5 but perhaps the CEO could add to that.

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Mr BALCOMBE - I do not have those figures to hand but there was a separate process about how we went through the business and identified those. Certainly, from the retirement of the legacy systems, there was a substantial saving in licensing and software costs in regard to that.

Mr O'BYRNE - That transfers across, doesn't it?

Mr BALCOMBE - Probably not one for one. The other amount around this is most were recognised as business efficiency benefits so productivity gains. I do not have them to hand.

Dr WOODRUFF - Chair, I have been very patient. He has really had rather a long run. That was the last question two questions ago.

CHAIR - I am going to Mr Hidding. He has the question first, then I will come back to you Dr Woodruff.

Mr HIDDING - Minister, clearly there has been a sound financial performance in the year that we are looking at, but at the same time there was a significant reduction in network charges which is somewhat remarkable. Could you speak to that and explain how that was able to be delivered?

Mr BARNETT - Yes, I can and I will ask the CEO to add some comments but it is a very good question: \$135 odd million in returns. That is 6 per cent above the \$127 million-odd target, so it was a very successful year as I have indicated in the opening remarks. The profit after tax was \$59.2 million so that has come back to the Government for reinvestment in health, education and important services to support Tasmanians.

In terms of the good news for customers, yes TasNetworks has delivered on the commitment to lower network prices by implementing a 20 per cent decrease in network prices for distribution customers. It is important work. I commend TasNetworks on achieving that. The decreases are a direct result of the efforts of the business to improve business efficiency and reduce the costs as well as a reflection of the lower interest rate and market conditions which flow through to prices. I should add that for TasNetworks that ongoing commitment to relieve costs for Tasmanian customers and cost of living pressures, cost of doing business, for the 2018-19 year an additional 2 per cent price decrease is planned.

I mentioned also the very good news about the benchmarking report from the Australian Energy Regulator identifying TasNetworks as the most efficient transmission network provider in the national electric market. That is quite an achievement so they are certainly leading the way in that regard. There is always more we can do and a lot of challenges ahead but there are some good achievements over that period of time and I will ask the CEO to add to that.

Mr BALCOMBE - When TasNetworks started we were in the midst of two revenue determinations. We had our revenue determination for transmission which ran from 1 July 2014 and 30 June 2019 and the chairman and I had some involvement in that process when Transend was working on that revenue proposal for transmission. There was also another revenue determination for distribution which was due to finish for the five years ending 30 June 2017.

We recognised was that there was a misalignment between the timing of the two revenue proposals - transmission finished in 2019 and distribution finishing 2017. We made a decision to align those two proposals. We have been submitting revenue proposals for the last five years so we are looking forward to getting out of that cycle. From my recollection we submitted a revenue

proposal around September 2016 for the two-year period ended 30 June 2019. That meant we would have then aligned our revenue proposals and regulatory periods for distribution and transmission.

Over that period - the period between the distribution proposal was on foot and the time for the 2017 proposal, as the minister did refer, there had been a significant shift in the financial markets. One of the big drivers of our regulated rate of return - our weighted average cost to capital - is interest rates. We had seen a significant decline from 2012 when Aurora's, at that time, distribution revenue reset WACC was set, so we were able to take advantage of that.

The other element was that we also submitted a revenue proposal which was accepted in full by the regulator so they accepted our operational expenditures and they accepted our capital expenditures. That was a very pleasing result and in culmination with our efficient expenditure and our capital expenditure with regard to distribution, the regulator accepted that and that resulted in a 20 per cent reduction in the distribution component of network pricing to customers. That also resulted in a \$65 million decline in our revenues. We have taken that on board; we have still delivered, as the minister said, that \$59 million result for the year ended 30 June 2018.

Dr WOODRUFF - Minister, I am interested to ask more questions about those non-compliance letters following up from previous questions. Perhaps these might be for the CEO. It relates to Mr David Buchanan who is from the Channel, and others he says; he was speaking for other people in the area. He said he received the notice about his point of attachment being inaccessible and service conductor being sub-standard. He said he was given 30 days to comply or face being cut off. His concern was it was the middle of winter and how it could possibly be that someone would be cut off. Is anyone ever cut off by TasNetworks for not responding to a non-compliance in the required time frame?

Mr BARNETT - The question goes to the circumstances surrounding one particular customer that you referred to and I won't mention his name again - you have already referred to it. I'm sure the CEO will do his best to respond but if not, we will try to get back to you, for sure. With respect to the last part of your question, I will certainly refer that to the CEO.

Mr BALCOMBE - I am not aware of anyone being cut off but what I can say is that doesn't mean we haven't, but I am not aware personally.

Dr WOODRUFF - Could you find out for me? Could I put that as a question on notice - whether anyone has been cut off for non-compliance? Also, is it written into the letter that they could be cut off if they don't comply?

Mr BARNETT - I am happy to take that on notice if you want to put that on notice. We are more than happy to respond to those two questions.

Dr WOODRUFF - Thank you.

Mr BARNETT - Can you repeat the two questions so we are very clear?

Dr WOODRUFF - Is anyone cut off for a non-compliance? Is it written into the letter that they must do it or they will be cut off?

Mr BARNETT - We will take both those questions on notice.

Dr WOODRUFF - Thank you, minister.

Mr O'BYRNE - Have you finished that line of questioning?

Dr WOODRUFF - No. Through you, Chair, do you consider that all the standards that TasNetworks is required to uphold that people might be issued non-compliance notices for, do you consider that all those standards would have the same level of risk attached to them? I am trying to get at the breadth of gravity of issues people may be issued non-compliance notices for and whether there is a standardising or what it is based on.

Mr BARNETT - I will answer that and then pass to the CEO on those operational matters. First, safety is a top priority for TasNetworks and the Hodgman Liberal Government and that has to be to protect and support Tasmanians. Second, I wanted to alert the member and committee members to the guaranteed service level performance and payments that are made where guaranteed service levels are not met. I have been a very strong supporter of this for all of my parliamentary career. It is important to ensure that standards are met and decisions are made and that government and their business enterprises are accountable for and behalf of the Tasmanian people. Those guaranteed service level payments are made to people in terms of outages over a certain time and to business as well. It is important to protect the public interest, not just the interests of the GBE. Having said that, the CEO might like to add to that answer.

Mr BALCOMBE - Thanks, minister. I might defer to Wayne in regard to Ms Woodruff's question on standards.

Mr TUCKER - Our service installations standards, as this relates to, are based on the Australian Standards and consistent with Australian practice. Our standards are contemporary and we review and update those as we need to. As to the 30 days and other dates, that largely depends on the risk and severity of the non-compliance as identified. I am not sure of the exact time frames or what constitutes 30 days or sooner, but it is based on risk and the level of compliance.

Dr WOODRUFF - What I am getting at if there is a gradation in risk and therefore a gradation in the time frame that people are asked to comply with a changed standard.

Mr TUCKER - To the best of my knowledge, if it is a really severe non-compliance we could have to disconnect but we don't do that -

Dr WOODRUFF - Immediately, without notice. If something falls down -

Mr TUCKER - Yes, that is right.

Dr WOODRUFF - Would it be considered a non-compliance if a tree fell down or something?

Mr BARNETT - Safety is a top priority and if safety is compromised in any way, TasNetworks has to intervene to protect the public safety. I have seen it on many occasions in my role as minister. There are a number of examples TasNetworks could provide if you wanted, in terms of the need to intervene to protect the safety of residential or business customers.

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Mr BALCOMBE - The challenge is that we cannot compromise safety. If the matter is severe enough it may well be that we will disconnect that customer on the spot and do everything we can to help them get back on and remedy the situation.

Dr WOODRUFF - But there is also a gradation where it is not always that serious.

Mr BALCOMBE - It could be. That is why there might be things like 30 days.

Dr WOODRUFF - Or more than 30 days?

Mr BALCOMBE - I don't know. Can I put that as a question on notice, from immediately to what would be the period of time?

Mr BALCOMBE - Yes.

Mr O'BYRNE - To go back to the Ajilis project, can we quantify what the \$68 million saving is? I understand you did not have it at hand but you have made it as part of your opening statement and it is very important, if you put a figure out there, that we understand what it looks like. It would be good to hear what it looks like.

Mr BARNETT - Thanks for the question.

Mr BALCOMBE - I would have to take it on notice. I can recall the items that I can recall. I can provide a bit more. Benefits are such a critical part of the whole project that you would not do it unless you had the benefits accruing to yourself. We had our benefits independently assessed before the project commenced in the business case, during and at the end. We had an independent firm do that for us and in fact we are in front of our benefits realisation as at the last budget. I would have to get all the detail. I just don't have it in my memory bank but a lot of it was about a better procurement process, better use of procurement tools, better use of stores management and not holding so much in stock, things like that. It gave us a better look through for those costs.

Mr O'BYRNE - It is quite remarkable that in your opening statement you claimed \$68 million in savings. I ask the question and you can't provide details. I think you have to do a bit better than that. It is very important for us. We have heard a lot of things about this SAP system and that it is not working, that there is real disconnect between people out there, the tablets are not working, they are dropping out, people having to go back to the depot. The system is not working as well as you say it is. You say you are okay with it. What are the measurements of success and what are the savings of \$68 million? It should not be a blindsiding question.

Mr BURRIDGE - The way the benefits manifest themselves in the business is that in our benefits report they are lined up to every operating area of the business, and they have been in the budget target for those years. To the extent the budget targets are met, then our savings have been met.

Mr O'BYRNE - How are they measured?

Mr BALCOMBE - They are measured by achieving those savings in the budget. Each of our operating areas are given a budget target per year, which includes the savings they agreed to at the time of Ajilis, and they must meet those budget savings.

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Mr O'BYRNE - As part of those savings, is some of the work being contracted out to other companies outside of TasNetworks? I know you are increasing your use of contractors.

Mr BALCOMBE - We use contractors on our program of work to provide additional capacity and we also leverage contractors to reduce capacity. As a case in point, last year we overspent on our capital program because we had some pretty big programs of work to do and we got through that pretty efficiently. The unfortunate thing about that is we get penalised by the regulator for overspending, so we have to recalibrate that over the term of the regulatory period and we've only got a two-year regulatory period with regard to distribution. We flex down through our contractors and maintain a level workforce with regard to our people and the work they do, and we flex up and down with regard to our contractors. In the current year, we have flexed down with regard to our contractors. If we didn't use contractors we would be flexing down our people.

Mr O'BYRNE - The question was around trying to understand the \$68 million in savings.

Mr BALCOMBE - I think the use of contractors and the savings are unrelated.

Mr O'BYRNE - What are the savings, then, of the \$68 million? I was trying to help you out.

Mr HIDDING - Less money being spent.

Mr BARNETT - Does the CEO want to add anything further to what seems to be a similar question? It is understandable where the question is coming from.

Mr BALCOMBE - I understand it and I apologise, it has been some months since I looked at the drivers of those efficiencies. I am happy to take the question on notice and get back to you.

Dr NORTON - We can provide the break-up of the expected savings, that \$68 million, and where they come from.

Mr O'BYRNE - Thank you.

Mr BARNETT - Would you like that?

Mr O'BYRNE - Yes, please.

Mr BARNETT - Fair enough. Just confirm you will put it on notice and TasNetworks will respond.

Dr NORTON - Can I make one other point? The Ajilis business case was not driven as a means of reducing the workforce. That was not the driver of it.

Mr O'BYRNE - I understand the drivers of these things. I am not saying that you are using them but there is a whole range. We understand from people who are using the system that it is still very problematic. Do you accept that?

Mr BALCOMBE - I do not accept that. It is getting better. There have been some issues with it and that would be related to the field teams, but from the point of view of the finance teams, the people who use the HR systems, one in your team from the point of view of the asset management of the data base - we have one source of truth there.

Yes, there have been some teething issues with regard to some of the field team work but by and large the uptake has been really positive.

Mr O'BYRNE - With the variations and the next steps team, can you provide all the costs involved with bedding down the system? It is obviously more than the 58.

Mr BARNETT - Costs for?

Mr O'BYRNE - For bedding down the system and trying to make it work, and the next steps - the team of 10 people at least for six months - those things. You say it is coming in on time and budget but we are hearing a whole range of teething problems a whole range of extra costs on top of the 58. That is the figure we are looking at.

Mr BARNETT - Part of the answer on how it is made up was provided earlier. Would the CEO like to add anything?

Mr BALCOMBE - Once these things are in operation you don't leave them alone -

Mr O'BYRNE - A lot come in with a heavy hand, with respect.

Mr BALCOMBE - From a point of out view out of the implementation, certainly. That would be typical of any large ERP system going in. We will continue to manage the system as Business As Usual over time. It will go through upgrade paths; we will continue to refine it. We will continue to think about how to improve the process. We gathered that up in our Business As Usual. It was also considered part of the ongoing business case about the overall cost of running and managing the system.

Mr HIDDING - Minister, this question is put very regularly to Tasmanians: when did we stop thinking about electrical safety? I think that is a very strong campaign. I would hate to be lectured by that young lady but it has some substantial cut-through. I wonder if you could tell us about the background of that and how the program is going and whether we are going to see a change of culture.

Mr BARNETT - Safety is a top priority for our Government. It needs to be, not only for TasNetworks but across government. Zero harm is the top priority for TasNetworks. We have mentioned the importance of this public safety campaign in the past. It kicked off the end of last year. It is pretty good.

When did we forget about electricity? The young girl with her dad and the safety messages on television are deliberately lighthearted but aim to make the subject of electrical safety well understood by residential and business customers all around Tasmania. It has been a resounding success. It has resulted in a large increase in customer requests; for example, for the TasNetworks free in-house safety device, the Cable PI. I have one at home. I encourage all Tasmanians to avail themselves of it. The device detects potentially life-threatening incidents that may occur in one's home through an electrical fault called a broken neutral. Since the launch of the campaign there has been a 200 per cent increase in request for the Cable PI; there has been an 85 per cent reduction in stolen copper earths; and a 60 per cent reduction in public significant incidents. Of interest, from the campaign there has been a decrease of 53 per cent of shocks reported. Obviously, that is a good

outcome. This decrease has been driven by a better public awareness of what a shock is, and the process to be followed to report it.

As the former minister responsible for work place health and safety, the Government has put a lot of time and effort into that space. Tas Networks' effort is certainly appreciated. It is working. As you've asked in your question, it is a matter of changing the culture of how we think about electricity. That's what has happened over the past year or two, possibly longer, and that's what needs to happen in the months and years ahead.

Mr BALCOMBE - Thanks, minister. You've covered it very well, particularly some of the more public elements of the campaign, such as the advertising campaign - certainly with regard to copper earths.

The copper earth theft was a significant risk, not only for the people who were stealing them. Earths serve a purpose. They conduct current and put it to earth. It could well be that when someone was choosing to steal one, it may have been live. We did have one area - I can't remember where it was - where we had significant copper earth thefts, which created some challenges for that area of the network. We had to replace them. It was a collaborative campaign. We were encouraging locals to report copper earth thefts to the police.

The other area where we've done a lot of work with regard to safety is at the grassroots level. We have had, and continue to have, a very successful safety in school program. We offer three types of safety in school programs, from little toddlers to primary school children and early high school children, with regard to the dangers and safety. We've had feedback. Some parents have told us that their children have recognised safety issues in their houses.

It's something that we will continue to focus on. Education about the dangers of safety is very important. Unfortunately, we do see some instances of dangerous behaviour by members of the public within our network.

Dr WOODRUFF - I hear what you said, minister; I accept that it is very important to protect Tasmanians and to reduce risk. I like what the CEO was saying about the zero-harm principle. That is fantastic.

Going back to the non-compliance letters. One of the issues raised by this resident was the estimate he had to make his property compliant would cost him \$6000. It was not his fault; a standard had changed. I'm in no way suggesting that standards shouldn't be updated. My question concerns the unintended harm that TasNetworks can do by sending people letters for fixed periods of time with potentially large sums of money required. People have not intentionally been non-compliant and have no awareness that it is a cost they will incur by fixing up. I think the average pensioner income is about \$43 000 maximum. That is the all bells and whistles one. It is \$36 000 for a couple. In that context, should a person be required to make a \$6000 cost in 30 days without having any awareness that that it is coming their way? You can imagine the level of stress and anxiety it would put onto a person, which is exactly what he was referring to. He was so concerned that in desperation he spoke to the media about it on behalf of other residents.

My question is not that TasNetworks shouldn't be requiring these changes, but the manner in which that information is provided to people. Minister, or through you to the CEO, we have evidence that because of the widespread poverty amongst many people in Tasmania, the huge

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struggle of people on lower incomes, getting a letter about a debt like can cause severe anxiety, and depression. These are people without mental health illness -

CHAIR - Do you have a question, Dr Woodruff?

Dr WOODRUFF - I do, Chair. A person with a mental health illness could possibly be tipped over into a different and much worse situation. So does TasNetworks really understand the responsibility you need to have a conversation with people about fixing that so you don't inadvertently create harm?

Mr BARNETT - First, with respect to vulnerable Tasmanians, we have a range of concessions that Aurora Energy offer and they are amongst the most generous concessions in Australia. Second, we have a CPI cap that has been in place in the last couple of years and we have plans to continue that and that has delivered the lowest regulated electricity prices in Australia for residential and business customers. Third, the reference in your question is broad but it also relates specifically to one particular customer in southern Tasmania who had some correspondence with TasNetworks in July this year. You referred to a *Mercury* article in July this year, so it is understandable that TasNetworks does not have all the answers to that particular aspect of your question but I will see if the CEO can add anything further to the answer.

Mr BALCOMBE - Certainly we have a concern if we are triggering any issues regarding our customers' wellbeing, there is absolutely no doubt about that.

You made the point about an estimate. That was the estimate, to my understanding, that the customer received, so I don't know how that reflected ultimately the cost of the job that was done. Whether that was accurate I don't know. My recollection from that incident was that we had people on the ground who were assisting that customer to resolve the matter over time. Generally we will try to assist people to help them through the issue. We have people who identify the issue and go and talk through the non-compliance with them, but we don't deal with the estimate because that customer has gone and got that. We would think that as part of our engagement with our customer we will help them through the process.

Dr WOODRUFF - Thank you, of course I accept that. I am sure everyone involved who would be picking up the phone would be a very kind person. The point is that people receive these letters cold. We don't know what sort of stresses they have in their life on the day they open that letter. For a person to be given a letter that may or may not say that they could have their electricity cut off if they don't comply within 30 days, if they don't have the wherewithal and the organisational skills to get that work done in the time that is going to take a lot of work in conversational terms.

Have you put this past an organisation like TasCOSS or Colony 47 who deal with people in real poverty and who could perhaps provide some advice about how to write that letter as kindly and as openly as possible so that you still tick the risk management box? You have to do that, but you can do it in a way that is not bureaucratic but signals very clearly that you realise this has come out of the blue and it is obviously an unintended cost that they often had no part in creating, it is just a standard that has changed. I think it would be really good to move in that direction. It is easy for organisations to just pump out letters, but we have real mental health issues in our regional communities.

I am the member for Franklin and I can't imagine how some people in the community would feel getting that. They might not have anyone around. They might be an older, single woman.

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How would she feel about having to do something like that? I am just talking about signalling that we are here to talk, all that stuff.

Mr BARNETT - Thanks very much for the question and I sense there is a message coming through in what you are trying to share in terms of the importance of showing compassion and care and being sensitive, particularly to Tasmanians with mental ill health. You know we treat that very seriously as a government, with significant extra funding for mental health initiatives, not just in southern Tasmania but across the state. I am sensing there is a real message coming through from question and I know TasNetworks takes these matters seriously but there is always more we can do to improve and I have taken on board your question; I appreciate that. Perhaps the CEO would like to add to that.

Mr BALCOMBE - If there is opportunity to show more compassion about the way we deal with our customers we will certainly do that. TasNetworks supports Rural Alive and Well so we are very cognisant of the mental health issues in the rural communities in particular. We have had Rural Alive and Well in talking to our own people as part of our zero harm situations. We run a very well recognised mental health program amongst our own team members; in fact we won the 2017 award for best program for suicide prevention. It is a Tasmanian-based award and we are very proud of that. We are certainly cognisant of the mental health issues both in our community and within our workforce.

Dr WOODRUFF - Would you consider passing your letters past organisations like Rural Alive and Well or Colony 47 to get their input about how they look to people when they open them?

Mr BALCOMBE - Yes.

Dr WOODRUFF - Thank you.

Mr O'BYRNE - Minister, in terms of the contractors, I understand you said you had flexed down. You use Zinfra quite a lot. Could you outline how much Zinfra oversees from TasNetworks in terms of work and the cost?

Mr BALCOMBE - I don't have that figure to hand but I can say Zinfra is one of our tier 1 contractors so that puts them in the top echelon. We use Zinfra for specific programs on our distribution network. We have also engaged Zinfra to help us with transmission line construction at Cattle Hill and Granville Harbour. They are an important partner of ours.

Mr O'BYRNE - In your CEO's report on page 11 of this year's annual report you say that the general manager of works and service delivery, Tash Brown, chose to exit the business, but page 30 of the report states that Ms Brown resigned from the business and then on page 100 it lists a \$400 000 severance payment for Ms Brown. Can you explain that?

Mr BARNETT - You referred to the annual report so it is best for the CEO to respond to that because it is in the CEO's report and is part of the annual report.

Mr BALCOMBE - Thank you. We did an organisational refresh earlier this year that took place over the course of about six months. We did that because the business was coming around to its fourth anniversary. When we set the business up, the structure we took on board was suitable for an organisation that was going through implementation and a merger. We wanted to ensure we were in the right shape to take the business out to 2025. We had been blessed by a very stable level

of leadership at the top half of the business. It was a very collaborative process. We wanted to involve as many people as we could across the business to get their perspectives on what was working well and what needed improvement. One of the challenges about our business is that it is a very broad value chain. From the perspective of where the work starts in Wayne's area, they define the asset strategy. We then plan the work and then we execute the work but there are many hands as part of that. As I said earlier, from a perspective of where we can start to drive some efficiencies is how we package up the work and how that work is structured. As part of that we revised the organisational design and the role that Natasha Brown had no longer existed. Natasha was offered another role in the business - she chose not to accept that and on the basis of that, she was constructively redundant. That is what that payout refers to; she got a redundancy payment and a payout in accordance with her contractual entitlement.

Mr O'BYRNE - If that's the case, how do you say that she chose to exit the business and she resigned when in actual fact she didn't choose to leave, she didn't resign from the business - you made her redundant.

Mr BALCOMBE - Natasha was offered a role in the business. She chose not to accept it.

Mr O'BYRNE - But her position is still made redundant. How can you in the report say that someone - a senior manager - left the business, chose to leave but effectively her position was made redundant. Then you've charged taxpayers for the some of the redundancy.

Mr BALCOMBE - To be clear, Natasha Brown was offered a role in the business.

Mr O'BYRNE - And her current role was made redundant?

CHAIR - Order.

Mr BARNETT - Through you, Chair, if you would just allow the CEO to answer the question and go back to the next question.

Mr BALCOMBE - As part of the organisational refresh, Natasha Brown's substantive role no longer existed.

Mr O'BYRNE - As general manager?

Mr BALCOMBE - As general manager, works and service delivery.

Mr O'BYRNE - Michael Ash is now acting general manager of works and service delivery?

Mr BALCOMBE - Yes. The organisational refresh didn't commence until 1 July 2018. Mike Ash is now in a different role. That role of general manager, works and service delivery was abolished as at July 2018.

Mr O'BYRNE - So it was abolished?

CHAIR - Could we allow the CEO to respond and then have the next question once the response is concluded.

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Mr BALCOMBE - Natasha Brown's role no longer existed. Natasha Brown was offered another general manager role. She chose not to accept it and on that basis she was entitled to a redundancy payment.

Mr O'BYRNE - With respect, that is very different to saying that she chose to exit the business and she resigned. She had no choice. She had a role; she had a job; you've made her redundant. Could you outline the breakup of that \$400 000 payment, please?

Mr BARNETT - Thank you for the question. Mr Balcombe?

Mr BALCOMBE - She would have got a redundancy payment, she would have got her leave entitlements - her annual and long service leave entitlements were \$169 000. She got three months' salary in lieu of notice - \$67 000 and she got a redundancy payment of \$163 000.

Mr O'BYRNE - I can remember back in 2014, the Treasurer, Peter Gutwein, told parliament that he had written to all GBEs and state-owned companies asking for a stop to excessive golden handshakes.

I have written to each government business and state-owned company to express this Government's concern with excessive severance payments.

I am not saying that Ms Brown did not deserve a redundancy payment. She was clearly made redundant but in your CEO's report you say she chose to exit the business. She chose to resign from the business. Well she didn't; you made her redundant. Why didn't you say that?

Mr BALCOMBE - I didn't make her redundant.

Mr O'BYRNE - Who made her redundant?

Mr BALCOMBE - Her role became redundant.

Mr O'BYRNE - The company made her redundant.

CHAIR - One at a time. Thank you for sharing this but if you don't mind, Mr O'Byrne, please don't interject.

Mr O'BYRNE - Sorry.

Mr BALCOMBE - Her constructive role was no longer in the business; I offered her another role in the business. She chose not to accept that and resigned.

Mr O'BYRNE - Her ongoing job, which she had, was made redundant.

Mr BALCOMBE - Correct.

Mr O'BYRNE - It is really important, and this is a large amount of taxpayers' money being spent essentially on a golden handshake we haven't worked out. Minister, what's your view on this? You have a letter from the Treasurer saying that this is excessive. This is on your watch, minister, what's your view of this?

Mr BARNETT - I will but let the chair respond.

Dr NORTON - It wasn't a golden handshake. It was a contractual entitlement that the person had.

Mr O'BYRNE - Triggered by your decision to make her redundant.

Dr NORTON - Triggered by two things. The structural change which made her substantive position effectively redundant; and her decision not to take another position. You have been involved, no doubt, in employment law issues. Of course, as you would know, this person was entitled to a redundancy in those circumstances.

Mr O'BYRNE - I'm not saying she's not entitled to anything.

Dr NORTON - The payment - the board was fully aware of this. The CEO talked to us about the situation. The payment was in line with her contractual entitlements. She did not get an extra amount in excess of her contractual entitlements.

Mr O'BYRNE - But you would say, in reasonability, this is a large amount of money, and in the CEO's report it refers to a person that makes a decision to exit the business when the decision was made for her by terms of the redundancy. That's the point that we make, and it's a large amount of money.

Minister, my question back to you. Are you comfortable with these kinds of decisions being made which have cost the taxpayer? Goodness me. I mean, knowing the roles, you can't say the role had changed that significantly so that her position was made redundant?

Mr BALCOLMBE - I took legal advice on that, and my advice was the role was constructively redundant. I do know the roles. Our legal team know the roles. The job was redundant. It's unfortunate. I did offer Ms Brown another role as a general manager. I couldn't force her to accept that.

Mr O'BYRNE - I'm not saying you could.

Mr BALCOLMBE - She chose not to and that's why she chose to exit the business.

Mr O'BYRNE - Because the job that she was working was made redundant. Are you aware that she has now gone straight across to Zinfra as a general manager? One of your tier 1 contractors?

Mr BALCOLMBE - I am.

Mr O'BYRNE - How does that look?

Mr BALCOLMBE - I think it's a great opportunity for Tash.

Dr WOODRUFF - Minister, we know that climate change is going to bring more extreme weather events, and more catastrophic bushfires are likely. We've seen the destructive capabilities of those fires in California just recently. The 2009 Black Saturday Victorian Bushfire Royal Commission made many recommendations. They made the comment that it was probably self-evident there was an increased risk of fires caused by electrical assets on days of extreme fire

danger. They found that on the Black Saturday bushfire on 7 February 2009, electrical faults caused five of the 11 major fires that broke out.

Does TasNetworks infrastructure present potentially similar risks to those that were identified in Victoria in the commission's report?

Mr BARNETT - It's a really important question. I'd appreciate the opportunity to respond. I'd like the CEO to add some comments.

TasNetworks takes the issue of bushfire preparation extremely seriously. I can say that Tasmania is expecting normal fire potential this summer with the exception of the east coast between Orford and St Helens, and I was there just a few days ago. I can advise that TasNetworks is confident that we can be fully prepared for the approaching fire season. They have a bushfire management framework that focuses on those key areas of high loss consequence within certain zones. We can also be confident they will continue to address their bushfire preparation as a priority.

I have been advised that at a national level between 1 per cent to 4 per cent of all vegetation fires are started by distribution assets. TasNetworks has a contribution at the lower end of the scale with an average of 1.5 per cent over the last 10 years, so at the lower end of the scale. There is always more work to be done to minimise the risks.

I should also advise that TasNetworks has developed and entered into a memorandum of understanding with the Tas Fire Service in terms of management of fuel reduction areas and the like. This is a really important subject and I appreciate the question. I will ask the CEO to add to that.

Mr BALCOMBE - You are absolutely right. It does present a substantial risk and it is a substantial risk we try to keep in front of. It is a challenge because it manifests itself in several ways. The first way is how we manage the vegetation that sits around our network. We have been spending a lot of money in catching up and getting our vegetation management arrangements on foot. Where we are within a situation where we have our vegetation to a management level. We had to do a lot of work to catch up to get that in order.

The second component is in regard to the condition of our assets. Generally, we are very focused on the condition of our assets in the higher bushfire consequence area which is essentially the south-east. We have a regular program where we monitor the condition of our assets in that regard.

The third element is how we operate in regard to the days of total fire ban when that risk is at its highest. There is a lot of coordination goes in with the Tasmanian Fire Service, in particular. We do a lot of work with the weather bureau so we can understand the prevailing conditions on the day. For instance we change several of our work practices. What happens on our distribution network when there is a fault in normal circumstances the system will try to automatically re-close. Basically, it will try to reconnect the network and re-energise the network. On total fire ban days we do not do that because often what can happen is that fault can be caused by say a piece of bark sitting between two conductors, it ignites, drops to the ground and you increase the potential of that if you keep trying to re-close that feeder. We change our work practices. We do not allow our field teams to go into paddocks, for instance, because the trucks have the catalytic convertors underneath them and they are prone to start fires. It is a very big focus for us.

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As your question was specifically in regard to some of the Victorian things, I might ask Wayne. He might have a better idea. I might also ask Ross to talk about the insurance markets in that regard.

Dr WOODRUFF - Thanks, that would be good.

Mr TUCKER - We have comprehensive asset management plans for our key asset categories that have potential to cause fires. Part of those strategies are always as a key input in our experiences from Victorian bushfires and others in Western Australia and other parts of the world as well. We take all those into account when we develop our programs for bushfire mitigation.

In our revised revenue proposal which we submitted last week to the Australian Energy Regulator we have included funds specifically for addressing bushfire mitigation programs. It is a key focus for us to ensure that we do mitigate those. As Lance said, operationally as well in parallel with long-term programs to mitigate the bushfire risk we also have operational processes and procedures which are well developed. We review and update and implement those each year prior to the bushfire season to ensure that we are well prepared. A key part of that is also managing high risk defects on the network and ensuring they are addressed prior to the start of the bushfire season.

Dr WOODRUFF - Thank you. My question was about our infrastructure. Does it present the same risks as the risks that were identified in Victoria? You have talked about the condition but does it have the same sort of components as in Victoria? They were quite specific about some recommendations of things that needed to change, such as removing bare overhead wires - I think they call them single wire earth returns - and replacing them with aerial bundled cables or underground cables or other technology to reduce the risk.

Mr BARNETT - I will see if there is a further answer to that.

Mr TUCKER - We take elevation into account. We have a very small proportion of our network that is single wire earth return and we do it progressively, when we get the opportunity, to augment the network to eventual three phase arrangements to mitigate that risk. We also have installed recloses on our single wire earth return lines, for example, to ensure that they are better protected.

Dr WOODRUFF - That is one of the recommendations.

Mr TUCKER - We take those things on board and install aerial bundle conductors where we need to, for example.

Dr NORTON - I want to clarify that we certainly took into account the findings of the bushfire royal commission and have had a quite comprehensive program to try to address in our context the problems that were raised and the recommendations that were made in that report.

CHAIR - Mr Hidding has his hand up for a question, but before that happens I indicated that at 3.30 p.m. we would have a break for a few minutes. If we could be very efficient at grabbing a coffee. The coffee is just out of the door to your right, so five or six minutes please because any time lost through this cannot be regained.

Short suspension.

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Mr HIDDING - Before the break we were speaking about bushfires, but I want to speak about disaster management generally in Tasmania. One of the features of modern disaster management is resilience, bouncing back after the event. We have all seen after the Dunalley and Derwent Valley fires, some of the absolute heroics were from the teams re-establishing power. To see the number of new power poles going up and the guys working through the night was something else to behold.

I want to ask about the May weather event, the storms, particularly in the south. Could you comment on how TasNetworks went about restoring people's power as quickly as possible after that event?

Mr BARNETT - I acknowledge the former minister for police, fire and emergency services as the asker of the question.

Mr O'BYRNE interjecting.

Mr BARNETT - I was about to acknowledge you too, Mr O'Byrne; you were jumping in. We are surrounded at this table by people who have an interest in police and public safety and the importance of it.

In terms of the May storm event, it was less than five days after that natural disaster that TasNetworks successfully restored over 99 per cent of residents affected with power outages. The catastrophic weather in the 24 hours leading up to 9 a.m. on Friday 11 May 2108 saw more than 120 mm of rain in Hobart and surrounding areas. I know the Chair and I have a special interest in the Derwent Valley and in and around Molesworth was highlighted in particular, and I know Rene Hidding has an interest in that area as well.

At the peak of the event some 12 000 customers were without power, with major faults experienced in many suburbs - Sandy Bay, Kingston, Hobart and Molesworth, as I have mentioned, in my electorate of Lyons, same as Mr Hidding and Mr Shelton. I thanked them at the time but I will put on record again my thanks to TasNetworks for their efforts. Certainly it was a huge job and I will ask the CEO to add further to that answer.

Mr BALCOMBE - Thanks, minister. We certainly appreciate your wishes and thanks in regard to the event. This was an unprecedented event. We had some warning it was coming and when we see bad weather coming we do two things. We stand down our workforce to ensure they are well rested and that stand-down process ensured that we were able to be pretty well resourced right through the entire program. We also engaged some of our contractors to help us through. There was such a high level of work we couldn't do it just with our own workforce, so we relied on contractors.

From the point of view of incident control it was very challenging because not only did we face the normal aspects of the outage, such as wires down, vegetation and items like that, we also faced issues where there were some significant engineering challenges. For instance, the Sandy Bay zone substation was flooded. It was an old flat-roofed building designed and built in the 1950s. It couldn't deal with the level of water that was going on and so that substation was flooded, which resulted in most of the southern suburbs of Hobart being without power.

There was a couple of aspects to that. We had to get people in there and do it safely. One of the things we discovered was that the emergency lighting in some of these zone substations was inadequate so we had to get lighting in there. We had to make sure we had an overall coordinated

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safety response, so when we demobilised the team we also mobilised our incident control group and elevated that to a level 2 emergency response. The highest level is level 3.

Due to the severity of the situation I sat in on that group and I suppose my primary role was to deal with the media. It was a very dynamic situation with events unfolding very quickly. To some extent when you are in these large outage situations and they're so widespread, you're learning as you're going, so one of the challenges we had is how you keep the flow of information going out to the general public.

As part of the overall storm response we did a post-implementation review. Our key learnings were that we were able to do the work very safely. We had a lot of our engineers involved which allowed us to deal with some of the big issues in the zone substations; for instance, we had to dry out the Sandy Bay zone substation and then get it energised.

The facts of a dynamic situation as it evolves is challenging. I might defer to the chairman here but the chairman came to a 4 p.m. meeting on the Friday afternoon and at the start of that meeting we had 15 000 customers out and by the time we finished we had 8000, so basically what was happening is that big elements of the network were starting to come on. Part of the challenge is how you keep the general public up to date on that, so one of the things we did is make extensive use of social media, so through Facebook we reached 166 000 people and we had 69 000 people view our tweets, which was good. We also had our website and our call centre coming in. Obviously our call centre was inundated so we didn't meet the required level of call service there but we also had recorded messages that people could deal with.

Probably the biggest feedback we had from the public was, 'You haven't really told me what my situation is. When will I get back on?'. It was very challenging because often we didn't know.

I was on the ABC a few times. My clear message was that we need to prepare for long outages and to be aware of the appliances you might have had on. A lot of the power went out at 10 or 11 o'clock at night, so if you had an electric heater on, make sure it is turned off in the event that the power comes back on. One of the things we need to think about is our key messaging and how we deal with it.

We've looked at the overall design of our substations to say, 'If we get another event like that can we think about the flooding?' Some of our pad-mounted substations, such as the one at Lower Sandy Bay, ended up being underwater. We think about whether there is an opportunity is an to relocate or make them more robust so they don't get water ingress.

It was a really fantastic response from the team. It showed us that when our backs are to the wall, how we can all coordinate. We had an enormous amount of value right across the business. The first issue at every meeting was safety. The incident controller would say, 'Are we standing our people down? Are all our people accounted for? Do we know where they are? Where are they working? The second issue was the safety of the public and making sure safety messages were out there. Then it was about how to restore the power.

One of the things we have to be conscious of is not over-promising. That is why the key message is to be prepared for long outages; if we got people back earlier, all the better. We copped a bit of criticism for that. 'You told me my power wouldn't be on until the next day and you got me back at 11 o'clock that night.' I think we're prepared to suffer that. We got a lot of learnings from

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it. Probably the most important thing is that we did the work very safely and the teams took much of the accountability for their safety.

Mr O'BYRNE - Around the time of that event, which was clearly a significant one, and you had a lot of people working hard, there was a discussion around some long-term blue-collar operational staff who had been working and were familiar with the substations being made redundant. Is that right?

Mr BARNETT - Sorry? What's the question?

Mr O'BYRNE - Some long-term staff who had worked on the substation -

Mr BARNETT - They worked on the substation.

Mr O'BYRNE - That was a part of their work. They understood it, they knew; it was part of their round. I heard, from a number of sources, that a number of key long-term staff had been made redundant and that may have impacted on the time it took to get people back on. Had you made any operational staff redundant in the six months leading up to the outage that could have caused an impact on your operational staff?

Mr BARNETT - That's a very specific operational question.

Mr O'BYRNE - It is and it is only triggered because you mentioned it.

Mr BARNETT - It has been triggered.

Mr BALCOMBE - I'm not aware of it. We had all the right people on the ground to deal with it.

Mr O'BYRNE - I'm not reflecting on any of the staff at all. How many staff have you made redundant in the 12 months?

Mr BARNETT - Sorry, through you, Chair, we had a line of questioning on the storm event. I am more than happy to answer that question, but it is Mr Norton's call.

Mr HIDDING - I would like to ask a question on that storm event.

Mr BARNETT - Just to finish on the storm event and then we will go back.

Mr HIDDING - I have a follow up question on social media. What kind of presence do you have on Facebook, considering your importance to so many Tasmanians?

Mr BALCOMBE - I'm not on Facebook so I'm not too sure what 'presence' refers to, but we use it a lot.

Mr HIDDING - For instance, Tasmania Police has best in Tasmania by a long shot; 105 000 people are regularly on it.

Mr O'BYRNE - Just under 13 000 are on your Facebook page. It's not a bad record.

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Mr HIDDING - It seems to me with Tasmania Police being more than 100 000, they are able speak to so many people. It works a treat. It is something I thought TasNetworks should continue to build one way or another.

Mr O'BYRNE - If you could just answer the question about the redundancies in operational staff for the last 12 months?

Mr BARNETT - Thanks for the operational question. We have 12 713 followers on Facebook.

Mr O'BYRNE - It is 12 714 now.

Mr BARNETT - You've just added an extra one?

Mr BALCOMBE - I am aware of some redundancies in the business. For instance, the Power of Choice Metering Reforms that became effective on 1 December 2017 meant that we were no longer responsible for the installation of meters, so some redundancies arose out of that. We also took the opportunity to retrain some impacted employees and they've been offered dual trade apprenticeships. They are now doing linesmen apprenticeships and they will use their electrical skills as well as being dual trade linesmen. We were able to retain some people.

There were some redundancies in the old works and services delivery area within some of the transmission planning areas. Within some of the administrative areas there have been some redundancies, but I don't have those exact numbers.

Mr O'BYRNE - Can you provide those numbers?

Mr BARNETT - Be specific with the question and we'll happily respond.

Mr O'BYRNE - How many TasNetworks' employees have been made redundant in the year that we are covering?

Mr BARNETT - Happy to respond on notice, no problem.

Dr WOODRUFF - Going back to the bushfire responses and the risk reduction TasNetworks has undertaken. Can I just get some more detail, through you, minister? Wayne was talking about not just the condition of the current network, but the actual commitment by TasNetworks to undertake a program of replacements in line with those recommended by the Victorian commission. The recommendations were quite specific. One was to replace power lines and I think what they call 22 kilovolt distribution feeders with some sort of bundled cable, underground or other technology. Another was to use new network technologies for remotely controlled automatic circuit reclosers and rapid earth fault current limiters. I have to admit, minister, that I don't know what I'm saying when I say those words. I am repeating the royal commission's recommendations.

Could please comment on the time frame and the areas. Clearly, it's not the whole state of Victoria. They identified high risk areas. They had a program of replacement within 10 years in high-risk areas and progressively outside of high-risk areas, so when they come to the end of their life, progressively replacing them.

If you could identify exactly what the plan of work is; what's been committed; what budget has been allocated to that?

Mr BARNETT - Thank you very much for the question.

First, to confirm what the Chair said earlier: obviously the Victorian bushfires were a disaster. There was a royal commission, a report and recommendations. The board has and reviewed and responded to it. Then the CEO and the organisation have responded to the directions and response from the board. It's taken very seriously. I will ask the CEO and all your officers to respond to what is a very well-motivated but detailed question.

Mr BALCOMBE - Thanks, minister. Given that it's a very detailed question, I might defer to Wayne.

Mr TUCKER - We have programs to replace copper conductor and galvanised steel conductors, in particular, because they are unreliable and prone to failure. They are bare-wire conductors from an obsolete technology and an older design. We normally replace those with bare-overhead conductors of a newer technology. We haven't tended to install a lot of aerial bundled conductors because they also have their own inherent design challenges particularly with regard to faults and insulation failure.

Dr WOODRUFF - Through you, minister, so is that what you are suggesting because I don't know the technicalities. Is that compliant with the Victorian bushfires recommendation, either aerial or underground. If you just speak in normal person's language, I know it's hard.

Mr BALCOMBE - Can I perhaps tackle your question from another angle. With regard to our bushfire mitigation programs, we were certainly cognisant of the outcomes of the Victorian Bushfires Royal Commission and the recommendations taken there. My understanding is that the Victorian Government mandated and may have actually paid for some of the initiatives, particularly with the undergrounding of certain part of the network.

Dr WOODRUFF - There was an understanding there would be both the utility and the government did put money in. I believe that is true.

Mr BALCOMBE - We are certainly cognisant of those recommendations and our circumstances are always different. I am not an engineer but if you talk about the aerial bundled cables on thing I do know is that they do create some other issues with respect to the catenary that sits in the cable. The bundle has a wire through it on which the cable hangs and those catenaries and particularly some of those catenaries in Victoria, have been identified as having their own challenges. They wear through and they eventually drop to the ground.

One of thing we have to be cognisant of is mitigating one risk and creating another. That is what Wayne and his team are very much focused on, so perhaps to also help you maybe I might get Ross to talk to the insurance market, in particular the outcomes we have had with regard to that. It might help you from the perspective of how we are managing our risks.

Mr BARNETT - To kick it off I will ask the chair to speak and then Ross Burridge.

Dr NORTON - This is a very important issue and the question deserves some detail which we haven't got here. I think we should be agreeing to provide you with a summation of the issues that were identified and the actions that we are taking. That is a little bit of work for us but we have

already got that information and that might help you with the detail that you need to answer that very important question.

Mr BARNETT - Would you be happy if Tas Networks responded accordingly?

Dr WOODRUFF - I would be happy if I put those questions, which I have already asked, in written form about those specific things. That relates to identified areas of higher and less high risk - there is no such thing as no risk - and the time frame for a work of replacement, and the money that has been allocated to that and the type of replacement that will be made.

Mr BARNETT - I will check if the CEO wanted to respond to any of those now or through Wayne, or did you want to?

Mr BALCOMBE - I will take those matters on notice.

Mr O'BYRNE - It has been pretty clear that the Government has a wages policy of a 2 per cent cap. I understand that across all the GBEs the Government has informed the GBEs to be mindful of that policy. What is the wages outcome inside TasNetworks for its staff?

Mr BARNETT - In terms of wages policy it is clear as I said yesterday that we support the cap across government. Those guidelines are expected to be met by government GBEs including TasNetworks. I am happy to pass it to the CEO for any other specific questions on operational matters.

Mr BALCOMBE - We have an enterprise agreement that has a 2 per cent increase as its base but it does have a component where if inflation is higher than 2 per cent the amount of inflation between 2 per cent and 3 per cent is available to our employees. It is capped at 3 per cent. We did go with an enterprise agreement of 2 per cent flat. We went to the workforce twice and that agreement was not voted up so we had to go back to the table. That is why we had to add that component to inflation to get our enterprise agreement up.

Mr O'BYRNE - You acknowledge the 2 per cent was not accepted by staff so you had to find another way to get it through?

Mr BALCOMBE - Yes, to get the agreement up. Notwithstanding that, one of the mitigations for us as a business is that our annual revenue is subject to a CPI component. Our regulated revenues are indexed every year. From a managerial perspective we were comfortable our costs were keeping in line with our revenues. If we had an indexation component with regard to our revenues, we could then wear that in regard to some of our costs.

Mr O'BYRNE - What is the payment for annual rate?

Mr BARNETT - The CEO has provided a summary and to confirm my expectation and the expectation of the Government is that GBE wage policies are in line with the Government's wages policy for the public service and the GBEs. The CEO is referring to productivity gains in that regard.

Mr O'BYRNE - Do not put words in his mouth. He did not say productivity, he said CPI, which is the argument with the 2 per cent cap.

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Mr BARNETT - Excuse me, I am trying to answer. I am more than happy for the CEO to outline in greater detail to respond to your question.

Mr O'BYRNE - What is the annual based on, CPI, inflation, or wage index?

Mr BALCOMBE - It is 2 per cent plus an inflationary component between 2 per and 3 per cent, capped at 3 per cent.

Mr O'BYRNE - Capped at 3 per cent. Have you ascertained what that figure is this year because it is 2.7 per cent, isn't it?

Mr BURRIDGE - For 30 June just finished?

Mr O'BYRNE - Moving into this year. It is 2.7 per cent at the moment.

Mr BURRIDGE - For the CPI last year it was 2 per cent.

Mr O'BYRNE - Last year it was 2 per cent, but I am looking at wages policy moving forward.

Mr BALCOMBE - It is set every year.

Mr O'BYRNE - You will move to 2.7 per cent if the -

Mr BALCOMBE - It depends what it is at that time.

Mr O'BYRNE - What is the point of time at calculation?

Mr BALCOMBE - 30 June.

Mr O'BYRNE - 30 June each year, year on year?

Mr BALCOMBE - Yes.

Mr O'BYRNE - To be clear, the wages policy is 2 per cent. Without any indication of where the CPI is, it is just 2 per cent. You have made the decision to get it through and to keep your staff engaged. It is a minimum of 2 per cent but if the CPI is more, you will allocate that up to a cap of 3 per cent with no trade-offs.

Mr BALCOMBE - If the CPI is less, our team get 2 per cent. We are cognisant of the state wages policy and that why it was set at 2 per cent.

Mr O'BYRNE - You got that knocked back by staff twice and the third time you received agreement?

Mr BALCOMBE - Yes.

Mr O'BYRNE - Excellent. When was that?

Dr NORTON - About July 2017.

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Mr O'BYRNE - When was the successful date, last year?

Mr BALCOMBE - It took a while.

Dr NORTON - It was successful at the start of 2017-18 financial year.

Mr BALCOMBE - It was a three-year agreement and it finishes in December 2019.

Mr O'BYRNE - Thank you. Minister, is that instructive for the Government to be able to acknowledge you have a 2 per cent wages cap which is being rejected by a whole range of public sector workers? You have asked the GBEs to abide by it. They have tried to abide by it in this case. In the case we heard with TT-Line this morning, they had to go beyond the 2 per cent wages cap. Surely that is becoming untenable for the state Government to hold onto that 2 per cent.

Mr BARNETT - In response to your question, the wage cap across the Government needs to be affordable, needs to be balanced, and it needs to be fair. The Treasurer has made that very clear. The expectation is that is to apply across government and that is very important to ensure we keep the budget in the black. We had to clean up the mess when we came into government, that sea of red and it has now become a sea of black. We have surpluses across the forward Estimates and we are in the black and that is important to build -

Mr O'BYRNE - You are becoming a bit of a Robinson Crusoe, aren't you? All your GBEs are lining up above 2 per cent.

Mr BARNETT - I am trying to answer the question, Chair. I am outlining the importance of good budget management to ensure that the economy remains strong, growing and amongst the fastest growing across the country, creating more than 15 000 jobs in this term of government. We are very pleased with where we are at but there is definitely more work to do and the Treasurer is a key part of delivering on that budget surplus going forward.

Mr O'BYRNE - In your latest employee engagement survey results, the Pulse, I think it is called, there are some telling numbers on this which is hard to read at times. For example, in operations in customer delivery the response to overall engagement were, 'I would recommend TasNetworks to my friends and colleagues as a great place to work' - 37 per cent; 'I speak highly of TasNetworks products and services' - 46 per cent; 'Systems and processes are in place that enable me to meet the needs of external customers' - 30 per cent; 'Employees at TasNetworks receive the support needed to deliver what our external customers require' - 26 per cent; 'People in TasNetworks do what they say they will do' - 26 per cent; 'Communications at TasNetworks are open and honest' - 14 per cent; 'There are career opportunities for me at TasNetworks' - 26 per cent; and 'TasNetworks performance management system is effective' - 7 per cent.

These numbers are grim, even in total - 'Communications at TasNetworks are open and honest' across all of your staff areas is at 38 per cent. That is grim.

Mr BARNETT - Chair, does the member want to table that document or refer to the date of it?

Mr O'BYRNE - If the numbers are wrong, I am sure Mr Balcombe will -

Mr BARNETT - What date are you referring to?

Mr O'BYRNE - This is from November 2018 survey. These are pretty tough results, wouldn't you say?

Mr BARNETT - Just to clarify, I haven't got the document in front of me. The CEO might be able to respond. I will just check.

Mr BALCOMBE - I am very happy to talk to it, minister. Mr O'Byrne, we conduct a people survey annually. We take an engagement survey and a culture survey. This year we chose to take a pulse survey. With our people survey we survey every individual across the business and we normally have a participation rate of about 7 per cent. As a business we have implemented a lot of change over the last 12 months. We have had an organisational refresh and have also completed the Ajilis implementation. We were keen to understand how our people were engaged.

I do not see those results as grim, I see them as very important data because once we have the data we can respond to it. We could have chosen not to take that survey and be working in a vacuum and we would have been waiting until March or April next year until we had a clear indication. Yes, there are some messages in there. One is with regard to the performance management system and the number you refer to is across the works team there. It is the first time they have been party to performance management in any form. We have a new system in place and obviously there are things we have to do better but I would much rather have my hands on the data and be very clear and open and transparent. We shared those results a day after we had them right across the business. As a leadership team we have had a series of meetings and developed a series of actions about how we are going to deal with that, a series of communications. Yes, there are some clear messages but I think the very important fact is we have the data and without that we would not have been able to respond to it. I don't agree they are grim. Certainly there are some messages in there but without having that data we wouldn't have been in the position to respond and deal with the issues.

Mr O'BYRNE - I will accept the point and commend the fact that you have done the survey but there are very few organisations of your size that don't do surveys such as this. You've got a high response rate and whilst I used the 7 per cent example for operations and customer delivery, 'TasNetworks' performance management system is effective', across all areas it is only 28 per cent.

I don't appreciate that you say you don't think they are as bad as they could be. The fact that you have done the survey is great, but most organisations do so that's not a virtue in my view, but this makes for pretty serious reading, particularly when you rely on those operations and customer delivery staff to get the power back on in the middle of the night and deal with some of the complex customers you have in terms of their needs and requirements. I want to hear what the plans are to resolve this because this is pretty serious.

Mr BALCOMBE - As I say, we've met and developed a series of actions and a lot of it is about communication and people's perspectives on the refresh and some lack of clarity around roles and some outcomes regarding that. Yes, we can communicate better on that. We have a series on issues around how we can build trust with our people and when people take an adverse view on how management operates that can create some challenges.

The question around performance management is interesting. We have tried to dissect the meaning of that. One person's perspective about performance management is different from others. Performance management for one person means, 'You are managing my performance', while others take it from a perspective of, 'Why aren't you managing the performance of that person?' We need

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to drill down on some of these results. Ross has done this with his team so I might defer to him and some of the data he has regarding this.

Mr BURRIDGE - You will see from what's in front of you that my group is strategy, finance and business services and there is no granular data for my group for lots of reasons, so I ran a full session with my team of 60-odd people and I think my team is still pretty upbeat, however things like the refresh were not there.

Mr O'BYRNE - Why not?

Mr BURRIDGE - Unfortunately we weren't included in the survey. We were included in the survey but not our area. My teams did the survey but they weren't able to select their group - it was a flaw in the survey.

Mr O'BYRNE - Didn't have a box to tick.

Mr BURRIDGE - Didn't have a box to tick, so that didn't impress them much. Some of the refresh communications have been an issue for them as well. I had a very frank discussion with my team and they were really open and honest with me about how they felt. We didn't get the performance management piece because I think we run that pretty well in our group. With communications, they hear from me a lot and they like to hear from Lance as well. It is about re-establishing that relationship with the CEO down to all levels of the business.

Mr O'BYRNE - There was a decision for staff who previously were given vehicles to take the vehicles off them and make them go to the depot to pick up a TasNetworks vehicle instead of going straight to the job from home, which is what they have done for quite a period of time, and then they can continue to work, finish the job and go home with their vehicle. Do you think the decision to take those vehicles off them and make them travel to a depot at the beginning of the day to pick up a vehicle and then drop it off at the end of the day upset people?

Mr BALCOMBE - Mr O'Byrne is referring to our new vehicle tools of trade policy. We identified that we have a very large fleet and one of the drivers of that was the amount of commuter use. The commuter use was where some of our team members would grab a vehicle at the end of the day, drive it home and bring it back again. What we have done is institute a new tool of trade process so that if any employee or team member needs a vehicle to do their job, all they have to do is ask for it and they will be granted it. If they speak to their leader and say, 'I want to take a car to the job at the start of the next day', they can do that. We have stopped people just simply leaving the depot, driving home in a company vehicle and driving it back and coming to the depot. If you can justify with your leader and it is a simple process to say, 'I need a vehicle,' and part of that would be more efficient to take it home you will be granted that. Ross looks after the fleet in general and you might want to make a few more comments on that.

Mr BURRIDGE - Thanks, Lance. It is true there was analysis around vehicles that were just going from a person's residence to the depot and staying there all day, not being taken out. They are the vehicles that we've removed where they were being sparingly used during the day for business tasks. They were just effectively driven from residence to depot and from depot to residence, and there were quite a few of them. That's what we tried to do and the policy is about the vehicle being part of your tool of trade, just like the tool of my trade is my laptop computer.

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Mr O'BYRNE - I understand that. We've had feedback that there are a number of people who may not use it every day, the vehicle, but use it from time-to-time and it has been built in to their productivity. Instead of having to go all the way to the depot they're on the job earlier, they're on the job later, so I understand the process, but a number of people may have been caught up. We're not going to solve it here, but we are raising it. It is decisions like this that has resulted in the survey results.

Might I say in terms of - and it is on the back of the wage increase, and the Chair was going to refer to it - it has been in the public domain about the wage increase of yourself, Lance at 8 per cent and correct me if I'm wrong compared to - correct me if I am wrong, but that was reported. It that is not the case. That does send a message if that is different to what the other staff have received.

Dr NORTON - That is incorrect.

Mr O'BYRNE - What has been the wage increase for the executive?

Dr NORTON - What we do with the executive is we check what's happening in the market and in the market for 2017-18 market movements were in the order of 2.8 to 3.2. The board decided that it wasn't appropriate to pay that level of increase to executives and the level of increase to executives was the same as the level of increase to the staff, it was 2.5 per cent. There were a small number of executives who got a higher increase than that, because they are within a band and as they get more qualified or experienced in that band they may be able to move up in a band. There were a small number - or a number of executives just got the 2.5 -

Mr O'BYRNE - Which is above the two.

Dr NORTON - Yes, and then several got a higher amount because they had been - for instance, there was one who had been put into a lower part of the band in the midpoint of the band when they started the job, as they got more experience they got a movement up the band. The decision on the CEO was to give a 2.5 per cent increase.

Mr O'BYRNE - Any bonuses?

Dr NORTON - We don't have any bonus system.

Dr WOODRUFF - In the annual report, the CEO's part of the report, notes there has been a spike in the deaths of threatened species on the TasNetwork's network. In the last year TasNetworks recorded 31 deaths of threatened species, 29 of which were Tasmanian wedge-tailed eagles. I note it doesn't say it in your report, Mr Balcombe, but it is the case that raptors are killed by collisions with overhead wires as well as through electrocutions.

The serious concern with those endangered species is that their numbers are plummeting fast. I have sat here now for maybe two or three years and we've had conversations about TasNetworks' activities in terms of trying to minimise the threat of death. I understand that you have developed, or are in the process of developing, a MOU with the Raptor Refuge. You don't mention that in your report and you don't mention the Raptor Refuge, but I do understand and I know Wayne has done work with the Raptor Refuge. Perhaps you could speak to that.

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Could you give me an update on the progress with mitigation measures? Exactly what has actually been done in terms of mitigation to network assets at the moment? Just have a conversation about that, thanks.

Mr BARNETT - Thank you for the question. First of all, it is very important from the Tasmanian Government's perspective to protect our iconic and protected species including our wedge-tailed eagle and we certainly welcome TasNetworks' eagle protection measures.

As a Government we support the broader efforts across the community and I also want to put on record thanks to Craig Webb and Raptor Refuge for the work he does. The Government provides some support for that and also maintains a hotline to ensure that those injured birds get the best and most timely care possible. You indicated the agreement with Raptor Refuge and the CEO can refer to that. There certainly is an agreement and they work closely together, TasNetworks and Raptor Refuge. In 2017-18, the advice I have received is that some \$600 000 in mitigation measures to support our endangered or protected eagles or other birds. Likewise, they now have the commitment of some \$2 million for the next financial year.

I have discussed this with the board and with the CEO and highlighted the importance of these efforts and I would ask the CEO to add to that.

Mr BALCOMBE - Thanks, minister, and thanks, Ms Woodruff. It is a really important issue. TasNetworks developed its wedge-tailed eagle strategy, I think we did talk to you a little bit about the strategy when it was in its formative stages last time we were in front of you, a year or two ago. That strategy is underpinned by a framework of three elements: building knowledge and awareness, mitigation, and voluntary offset.

Regarding building knowledge and awareness, we have done a lot of work in particular with the scientific community and with the public at large and with our own field workforce. As part of our zero harm activities we have run sessions on endangered species and what our people need to do with reporting.

One of the things we have been very focused on with our people and the public and the veterinary community and the farming community, in particular, is if you see a wedge-tailed eagle that is deceased or injured is to please report it. We have no evidence to substantiate this statement but we think that the spike in numbers is a lot to do with the fact that we built that public awareness and we are seeing more of the threatened species reported.

Dr WOODRUFF - There is no evidence to back that statement.

Mr BALCOMBE - I agree with that but I have had a couple of members of the scientific community say that to me. There are lots of things where there is a lack of evidence in this space. Notwithstanding that, I am much more content that as a business we are getting a lot more of the eagle deaths reported than we were previously.

Whilst the fact that we are killing so many birds is bad the good thing about that is that when we get a report we are able to get some data on that. Over the years there has been in the hundreds of eagles killed. It is very hard with that data. It is thin, particularly with some of the early instances there is very little detail on the area or the time or time of year or things like that.

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One of the things we have been trying to do as part of this building up the knowledge and awareness is to develop an eagle strike model. We are trying to do develop a model that is predictive so we can recognise the high-risk areas of our network so we can start to think predictively where we might be more prone to eagle strike.

We have engaged a firm called Enviro-dynamics. They have been working with us for over 12 months. They are working with a team of scientific experts, and some of those will be well known to you, in order to build a consensus view about some of the issues that are creating some of these risks. It has been challenging to build that consensus view. That has been a challenge. Again, they are somewhat relying on the data. We've been looking at it from the point of view of the influencing factors. It could be the body shape and size. One of the things we're starting to learn is that females are more prone because they're larger birds. We're seeing juveniles, less experienced birds, starting to have a roam.

There's some seasonality. April and August are the two months most prone to eagle strike. Potentially sudden disturbances. One of my colleagues drives from the Great Lakes at the start and end of each week. He's seen eagles feasting on road-kill carcasses. It has been identified that if a car goes past, the eagle might fly up into the feeders. My colleague has been removing the carcasses. So, what are these influencing factors? We're still trying to work out what the predictive model is.

We now have a reactive processing stage. If an eagle hits our infrastructure, that risk is manifested. Within seven days we install bird diverters devices. We hang them on the network, generally around five spans either side. They clip onto the feeder. Generally, you can fit them from the ground although we do have some access issues. Within seven days we go in and mitigate that part of the network. You could argue that's shutting the door after the horse has bolted but it also means that if other birds are in the area at least we are mitigating.

The other area is thinking about how we design our new infrastructure. We think about whether we install bird perches. One could ask why don't we go underground? That's just not sustainable unless we can identify an area where it's highly likely that we're going to get an eagle strike, we can't do that.

We have to be conscious of the cost. I realise that you have to balance that with the species but notwithstanding that, it still has to be sustainable for our customers to meet the cost.

We are working with the University of Tasmania. We're supporting James Paye, [TBC] a PhD graduate there. He's got tracking devices on the birds so we can understand their flight patterns. We are also working with Tarana Wildlife Park, Bonorong and the Raptor Refuge. We have signed an MoU with them. We're providing some financial support to help provide an additional staff member to deal with that. It's a multi-faceted approach and some of it's proactive.

[TBC]

We have installed mitigation at: York Plains Road and Midland Highway, Parana; Mathinna Road, Fingal; Mt Barrow, Nunamarrah; Upper Scamander; Mona Vale Road, Ross, Lower Marshes Road, Somerset at Rectkis Road; Halls Road, West Pine and Elderslie. We are looking at target areas for some of our proactive mitigations. They are in Andover, Epping Forest and Nile, the Tasman Highway at Apstown and North Anson Road at Gladstone.

Dr WOODRUFF - Thank you. When will the eagle strike model research be finished?

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Mr BALCOMBE - I'm not entirely sure, but probably this financial year or certainly the next derivation. The team are confirming the influencing factors and trying to land that with the experts. There is 'a further survey, an influence diagram from the agreed factors', and then populate conditional probability tables. I am not entirely sure what all that means but that is to develop this predictive model.

Dr WOODRUFF - Thank you very much. It is really good to hear about that range of work.

CHAIR - I need to move on, Dr Woodruff.

Dr WOODRUFF - I just want to finish with a closing comment.

CHAIR - No, you might have comments, but we ask questions.

Dr WOODRUFF - I need to ask a question in relation to the eagle strike model and the research that is being done. It is good to hear that but the species has such a short amount of time and I am concerned that we know enough about the high-risk areas.

CHAIR - That is a statement. A question please.

Dr WOODRUFF - We should not be waiting to put mitigation into places.

Will you be working closely with the Raptor Refuge and in that MOU to quickly move into the high-risk areas and put mitigation in place like this bird perch thing? We have been talking about this for years. That stuff needs to happen. Will you be working with them to bring it in before the eagle strike model is finished in the areas that I have already identified known to be high-risk areas?

Mr BALCOMBE - Through you, minister. There are those four areas I identified.

Dr WOODRUFF - The ones that you read out.

Mr BALCOMBE - Lemont, Epping, Tasman Highway, North Anstons Road.

Dr WOODRUFF - You would be doing that in the next financial year?

Mr BALCOMBE - Yes, in the current financial year.

Mr HIDDING - Minister, the people of the west coast are understandably happy that they are going to be getting broadband services. Can you update the committee on the partnership between TasNetworks and NBN Co in the unique development in that area?

Mr BARNETT - It is very important for the west coasters. This agreement was signed on 31 May 2016 by my predecessor, Matthew Groom. Thank you to him for his leadership. It was a couple of years ago now plus six months.

The shareholder ministers advise that the state Government wanted to contribute to the delivery of NBN services to the west coast businesses and the community. We saw that as important. We acted. We provided those instructions through the state Government.

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A project was for TasNetworks existing optical fibre capacity to be made available to NBN at no cost over a suitable long-term period. In this case it was some 35 years. It certainly is a long-term project. There was an agreement, understanding and access to optical fibre to support NBN services deployment on the west coast. It has had a range of benefits. I ask the CEO to add to that and outline some of those benefits for west coasters.

Mr BALCOMBE - Thanks, minister. We have finalised arrangements with NBN in regard to providing them access to our optical fibre. My understanding is that will provide NBN the ability to provide fibre to the node in areas such as Railton and Queenstown.

Alongside providing the access agreement, we also entered into negotiation with NBN regarding an extension of our network to the top of Mount Read. We built a new communications line up to the top of Mount Read at a cost of close to \$925 000. NBN Co was our foundation customer to that agreement. That will facilitate them providing comms transmission to customers in Strahan and Zeehan. They will not have to rely on satellite transmission; they will have something similar to wi-fi transmission. We think that is a good outcome.

Mr HIDDING - What is the technology? Is it microwave?

Mr BALCOMBE - Yes, microwave, which I presume would somehow convert to localised wi-fi. NBN Co is an anchor customer. We are hopeful of signing up some more telecommunications customers to that service.

Ms O'BYRNE - A good result.

Minister, we have been talking to a number of farmers who are negotiating their energy contracts at the moment. They are saying that they are getting price hikes of between 10 and 30 per cent. Some farmers are looking at ways to have on-farm generation to defray to take off the edge of some of the costs.

Unfortunately, with the way the connections are made they cannot aggregate their energy usage and the renewable energy innovation they are trying to build because essentially there are multiple points of contact and multiple points of contracting. Is TasNetworks looking at any ways to resolve this?

For wind farms or solar or some renewable energy projects it is thousands of dollars which is a significant amount of money to do. They will eventually save money in the long term but it is like buying a tractor and only being able to use it in one paddock because you can't take it to another paddock. In terms of energy, you have maybe three points of connection and three points of billing to the property and you can only defray the cost for one point, the closest or the connection to where the innovation is taking place. You can't aggregate up the total cost of all the energy across some of those multiple connections. Is TasNetworks looking at a way to resolve that so there is single point access to farms in terms of billing?

Mr BARNETT - Before I ask the CEO respond, regarding private electricity poles, that is an important issue. There are 65 000 private electricity poles across the state.

Mr O'BYRNE - I am not asking about the poles, it is about the connection.

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Mr BARNETT - You are not interested in the poles? I thought that was the first part of your question.

Mr O'BYRNE - No.

Mr BARNETT - Okay, not a problem. With respect to farmers and agriculture, as the minister for Primary Industries and Water I am very pleased to be able to advise that we want and believe our target of 10 billion by 2050 is very important. That has helped deliver confidence and direction for the future and it is a growth area.

Mr O'BYRNE - There are power increases of between 20 and 30 per cent. They want to drive innovation on the property but because of the way TasNetworks connect to the property they can't get the full benefit of it. Is that going to change? That is the question.

Mr BARNETT - There are two parts to that question. First, in terms of electricity prices, we have the lowest regulated electricity prices in the nation. We have a \$6.25 million support package for energy on farms that was announced during the election campaign. We have a range of initiatives in supporting irrigation and we have -

Mr O'BYRNE - It is about energy and billing.

Mr BARNETT - Irrigation and getting access to it is very important to farmers. We have the \$5.5 million Tasmanian irrigation renewable energy program in place. We have other initiatives to support our farmers, including a farm energy advocate based at Aurora Energy and I am pleased and proud with our initiatives in that regard. As to some of the operational aspects, I will ask the CEO to respond.

Mr BALCOMBE - Thanks, minister. Mr O'Byrne is referring to where a farmer might put in a solar installation or a wind turbine and they can only offset that against one meter. This is a problem right across the country so we are aware of it. As part of one of our innovation programs, we are working with a company called X-Energy who approached us in the third quarter of this year to explore a concept that will allow farmers with multiple national meters to use peer-to-peer technology to trade across all their NMIs, or national meter identifiers. There are several partners in that, including one farmer from the Campbell Town area, and we have identified a suitable trial. The details of the project are yet to be finalised but we could see this alongside the opportunity to trial demand-based tariffs. We recognise the issue. There is no single solve for the technology. The national market is not up with this. It is one of these things where there is an opportunity to innovate and this X-Energy project is one of the first projects to do it. We have lots of opportunities within the dynamics of the industry about how we can ensure customers are taking greater control of their energy consumption. There is no immediate fix but a trial such as this will help us develop a solution.

Mr O'BYRNE - What resources have you applied to it?

Mr BARNETT - Sorry, Chair, but I need to make a statement. You will understand once I have made the statement, but I need to declare an interest. This is the first time I've heard a reference to X-Energy.

Mr O'BYRNE - Yes, I know; I understand it is your brother.

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Mr BARNETT - That is what I want to declare on the record, because this is the first time this has been raised with me and I am the minister. I am declaring an interest. My brother is involved in X-Energy. I am not involved in any way, shape or form with the business.

Mr O'BYRNE - Tasmania is a small place; we both have issues with brothers and sisters, don't we?

Mr BARNETT - Noted, Mr O'Byrne. I wanted to make it clear for the public record and other members around this committee that my brother is involved in X-Energy. I am not involved with it in any way, shape or form. I have declared this to the Premier. He is aware of that and I am making it very clear to this committee.

Mr O'BYRNE - Excellent. What resources have you applied to that trial?

Mr BALCOMBE - I might talk about our resources from a general perspective and our innovation team. Wayne's group of strategic asset management and regulatory policy has a dedicated team devoted to innovative opportunities such as this. We've got the Bruny Island battery trial, we've got the Empowering You trial and this X-Energy. It is all part of their work program. They are a diverse group. I think there are four in that group and they have some separate funding to allow them to facilitate that.

Ms STANDEN - On page 35 of your annual report in regard to the organisation's performance against the statement of corporate intent, I note that the organisation rates itself only just over 50 per cent of those performance measures satisfied, so 13 out of 28 are not achieved. In particular, in relation to zero harm, customers and people, there are only two of 10 met. Particularly set against an executive remuneration of nearly \$3 million, I am wondering if that is satisfactory to you, minister?

Mr BARNETT - Thanks for the question but as it deals specifically with operational matters I will ask the CEO to respond.

Mr BALCOMBE - Certainly with regard to safety our performance is below par and continues to be below par, so we are doing a lot of work about how we can lift our safety performance. We have revised the organisational structure about how safety is overseen in our business. We've moved it out of the operational area into our people and culture area to give it new focus. We're onboarding some new safety leaders with high levels of safety qualification in that regard and have set aspirational targets. We have set a target of zero harm to our people, so one lost-time injury means we don't meet the target. I suppose you could have a debate in whether you set five lost-time injuries as your target but we think that sends the wrong message, so we set a target of zero which unfortunately is very easy to breach. Some of these targets are aspirational.

With regard to the customer one, certainly one of those is the customer net promoter score. That is a volatile number. The customer net promoter score is a process by which we poll our customers. Each month we have 100 customers independently polled who have had interactions with us in the previous month and they rate us out of 10. If you're a 9 or a 10 you're a promoter and if you're a 6 or below you're a detractor and there are some fence-sitters in the middle. How your net promoter score is evaluated is by adding up all your promoters and subtract your detractors. That number moves around.

Ms STANDEN - Zero is bad, isn't it?

Mr BALCOMBE - No, this can be plus or minus 100, so zero is in the middle. I know some of our peer companies on some of these scores are high in the negative territory. For instance, our telecommunications group I think sits around 35 in the positive territory. Again, the important thing is that we measure these things, because without measuring it we can't respond to it, data is important.

Ms STANDEN - Sure but a 20 per cent increase in customer complaints and about a two-and-a-half-fold increase in significant and reportable incidents is a poor outcome.

Mr BALCOMBE - A lot of that is the eagles. We have taken greater steps to record those so certainly we wish we could tick every one of these boxes and some of these boxes are aspirational. Some of these numbers move around but the important thing is we have got the measures, we try to drive the business outcome towards that and when we don't meet them we step up our efforts to ensure we do meet them.

Dr WOODRUFF - Minister, going back to the previous conversation we were having about climate change and the increased risk of catastrophic bushfires and doing everything Tas Networks can to reduce the risks to Tasmanians as a result of overhead powerlines and the issues of power.

Could you please tell me what modelling is done of the bushfire risks in terms of where the network sits within modelled areas of high bushfire risk and less high bushfire risk, accepting there is no no-risk areas.

Do you model and differentiate between regions across the state? There was a discussion about eight years ago about shutting down powerlines during very extreme bushfire days, is that the practice? What are the insurance risks? I am thinking there was a discussion about insurance before. What are the insurance risks or obligations? Other states have now noticed claims that have been made by people after outages have been imposed on them because of different costs they have borne.

Also, what is the thinking and conversations about the other risks? They would always happen during very high heat days and the heat stress and the need for air conditioning particularly for vulnerable people, how is that being managed? What are the conversations with the appropriate other agencies about reducing those risks?

Mr BALCOMBE - That is multi-faceted. I will have a go at answering a couple of those and then I will refer to my colleagues, particularly Ross on the insurance matter. With regard to modelling, we model the area of highest consequence so what presents the highest risk to the public and to us as a business as the manager of the network. We have developed what we call the higher bushfire consequence area and that is a modelled outcome.

That gets reviewed every year and there was a revision to the boundaries of that as part of the bushfire mitigation process. With regard to the high bushfire consequence area, that is where we have the greatest focus on the condition of the assets in particular. That presents the highest risk in the highest consequence and it also goes to that insurance matter. That is an area we do model.

Regarding shutdowns, to my understanding we don't shut down areas of the network at the moment and you are quite right this is an area of balance. If you shut down an area of the network and you have got a farmer or a rural landholder who has pumps installed and they don't have the

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electricity to run the pumps and they are relying on that, we might not know that. At this stage we don't do that; that is my understanding which Wayne has just confirmed. I am not sure if it is an area of consideration you might want to comment on that, Wayne.

Mr TUCKER - Not at this stage. We haven't contemplated changing our practices.

Mr BALCOMBE - Ross, you might want to deal with the insurance matters.

Mr BURRIDGE - Worldwide bushfires have created a problem in the insurance markets to obtain bushfire cover. It hasn't been a problem for us and I will explain why in a minute but we buy \$750 million worth of liability insurance each year. This limit is based on what we think our maximum loss would be if we caused a bushfire. There is a deductible \$500 000 on a bushfire loss.

This year we were the only Australian utility brokered by Aon to have full premium rollover on our liability cover. In other words, the same cover for the same price as we had last year and the reason for that is because we have good bushfire mitigation techniques, the strategic asset management guys deliver. We have good vegetation management techniques and our underwriters have great confidence that we have the situation under control. One of our lead underwriters from London was here a few weeks ago and he reduced his exposure to every utility in Australia bar TasNetworks because he feels that we have it under control.

That is a good independent assessment of our bushfire mitigation strategy and the way that we manage those risks. We put spreaders in to prevent clashing of conductors in high bushfire areas and things like that.

Next year the world market on bushfire is quite difficult. There are a lot of insurers who have taken capacity out of the market sitting on the back of the PG fires in America. However, we remain confident that we will get a full coverage this year.

We pay about \$1.25 million for our insurance premium. That is \$750. One of our peer companies on the mainland who have had a loss by the way so you understand this have \$1 billion worth of bushfire cover and they pay \$10 million for it. They pay 10 times the amount we do so I think that is also reflective. They have had a loss so you have to discount that bit.

Dr WOODRUFF - Looking into the future we can see that there will be a day when insurers do not insure or it will be drastically reduced. Are you having conversations with the minister about that future? I am not hurrying that forward.

Mr BURRIDGE - I do not see it being a problem for us in the immediate future. I think we are well placed in the market. Our reputation is well placed and I do not think it is an immediate issue for us -

Dr WOODRUFF - Immediate being five years, 10 years?

CHAIR - Dr Woodruff, that is enough.

Mr BURRIDGE - The next few years -

Dr WOODRUFF - The next few years, that is not very far ahead in climate change terms.

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CHAIR - Order. Dr Woodruff, I need to cut you off there.

Dr WOODRUFF - The officer is trying to finish his sentence.

CHAIR - Either quieten down or leave the table.

Mr HIDDING - For guidance, the Insurance Council of Australia is very aware of the fuel reduction arrangements here too. I am interested in how TasNetworks is working with the huge new Cattle Hill and Granville Harbour projects and perhaps minister you could outline that for us.

Mr BARNETT - Thank you. Very important projects because they are helping us on the way to achieving our target of being fully self-sufficient in renewable energy by 2022.

That is a very high target and all other states and territories are very envious of that fact with other states and territories aiming for 30, 40, 50 per cent and we are close to 100 or zooming in on 100. Cattle Hill, Granville Harbour together they are about 260 megawatts of capacity and that is increasing our wind generation capacity by nearly 80 per cent or thereabouts, so that is very good. We have world-class wind so we are trying to make the most of it. We have four renewable energy zones across Tasmania: north-west, Central Highlands, north-east and then in and around King Island. Our Tasmania First Energy Policy is a really important policy in helping deliver on that and we are on track.

TasNetworks have been playing an important role in terms of the connection for both wind farms and that is essential to get the electricity energy into the grid and to make it all work. I will ask the CEO to add to that.

Mr BALCOMBE - There are a couple of aspects about how we are working with wind farm proponents and in particular Cattle Hill and Granville Harbour. We have signed connection agreements and asset development agreements with both those entities.

The connection agreement ostensibly is to ensure that both those wind farms meet the required standards about how they connect to the network. We want to ensure that when we get new generation on that it is robust and also that it is robust of a nature that it does not prevent other wind farms in particular coming on. This generation is harder to control particularly on a stringy network like we have in Tasmania so there is the aspect about the connection standards. Wayne might want to talk about that a little bit later on.

The other one is in regard to how we are connecting these wind farms. We are actually building new transmission lines. With regard to Cattle Hill we are building that line and they will own it. In regard to Granville Harbour we have started a new line of business where we are going to have a build and operate model.

We have entered into a long-term agreement with Granville Harbour where we will build that transmission line on our balance sheet and we will own and operate that over the term of the agreement in exchange for a monthly fee.

CHAIR - I am not wanting to cut you off. However, I need to for we have just clicked over 5.00 p.m. and I would like to offer an opportunity to the minister to thank the officers at his table and to the committee. Before the minister starts, thank you everybody for your input for the day.

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Mr BARNETT - Thankyou, Chair, and to all members of the committee thanks for the opportunity. To the chair and members of TasNetworks both here and behind this table that have provided the support I put on record my thanks on behalf of my office and the Government. Thankyou.

The Committee adjourned at 5.01 p.m.