

UNCORRECTED PROOF ISSUE

Thursday 6 December 2018 - House of Assembly - Government Businesses Scrutiny Committee - Hydro Tasmania

HOUSE OF ASSEMBLY

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

Thursday 6 December 2018

MEMBERS

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

SUBSTITUTE MEMBERS

Mr Bacon
Ms White
Dr Woodruff

IN ATTENDANCE

Hon. Guy Barnett MP, Minister for Energy

Ministerial Office

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

Hydro Tasmania

Mr Grant Every-Burns, Chairman
Mr Stephen Davy, Chief Executive Officer
Mr Wally Borovac, Chief Financial Officer
Ms Eleanor Inglis, Acting Government Relations Manager

The Committee resumed at 10.03 a.m.

CHAIR (Mr Shelton) - Welcome everyone. There will be a break at 11 a.m., but I need to remind the committee that that time is lost to the committee. It is a three-hour session and I will ask people to be as efficient as they can when we break at morning tea. I need to make sure people

are aware of the questions on notice. There may be a question or two on notice. The process is, you ask the minister a question, he offers to take it on notice. Written notice then goes to the secretary and the minister has to sign off on that at the end of the session.

Minister, a few introductory words and please introduce the officers you have at the table.

Mr BARNETT - Thank you, Chair and colleagues. I have the chair of Hydro Tasmania, Grant Every-Burns on my right, the CEO Steve Davy on my left, and the Chief Financial Officer, Wally Borovac on his left.

Thanks for the opportunity to speak today make some opening remarks. It is a pleasure to be here today to talk about the excellent outcomes for Hydro Tasmania in the 2017-18 year, but also to outline some of the exciting developments that have occurred over the past 12 months.

Hydro Tasmania plays a key part in the Tasmania-First Energy Policy, assisting the Government in its efforts to put downward pressure on electricity prices, with Tasmania now confirmed by the independent office of the Tasmanian Economic Regulator as having the lowest regulated electricity prices in the nation. Hydro Tasmania has performed exceptionally well over the year locally and in the national electricity market, delivering a strong performance result of \$169.7 million for 2017-18. The strong position means a dividend of \$80 million will be paid for the 2017-18 financial year, an increase of \$12.3 million from what was projected in the state Budget. At the same time, Hydro Tasmania reduced its net debt by \$35 million to \$703 million at 30 June 2018, and Hydro has worked diligently to reduce its overall debt position over the last few years with debt levels decreasing by \$124 million since 30 June 2016.

Whilst effectively managing Hydro Tasmania's debt position, the business has invested over \$90 million in modernising and maintaining its generation assets in 2017-18 and is budgeting for a record \$105.6 million in 2018-19, whilst spending a very significant \$116 million on local suppliers in the 2017-18 year, and that is great for the Tasmanian economy.

The hydro power production portfolio remains fit for purpose and is in a superior risk-managed position than at any time in the previous 15 plus years.

Tasmania has an extremely healthy energy security position with dam levels of 43.5 per cent, just this past Monday, well above the high reliability levels set by the Energy Security Taskforce and monitored by the Tasmanian Economic Regulator.

With Hydro Tasmania's careful management of Tasmania's energy security needs, the Tasmanian Economic Regulator's Annual Energy Security Review of 2017-18 released on 3 December, just a few days ago, reports Tasmania's available energy supply will be sufficient to meet demand over the coming 12 months.

Hydro Tasmania has achieved this careful management of Tasmania's energy security needs whilst honouring its commitment to the Government to cease cloud seeding operations and has done so since 2016. I can confirm today that cloud seeding operations in Tasmania have ceased.

Hydro Tasmania is playing a pivotal role in positioning itself and the state to play a significant role in the future development of the national electricity market delivering low cost, reliable and clean energy. Hydro Tasmania progressed the Battery of the Nation project, working with the Australian Renewable Energy Agency with 14 options identified to deliver the state's best pumped

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hydro storage opportunities. Work is ongoing to further refine the list down to those options that will deliver approximately 2500 megawatts additional capacity, or twice our capacity as we currently have it. Future national market analysis so far confirms Tasmania's Battery of the Nation project represents one of the most reliable and cost-competitive solutions for meeting Tasmania's - and Australia's - future energy needs.

Work is also underway to investigate a \$500 million upgrade of the Tarraleah Power Station, set to transform this 80-year scheme into a state-of-the-art hydro power asset perfectly suited to Australia's changing energy needs.

Other key highlights for Hydro Tasmania over the financial year: launching the Flinders Island hybrid energy hub, reducing the island's dependence on diesel fuel and giving it a cleaner, cheaper and more secure energy future; supporting the Granville Harbour Wind Farm with an off-take agreement to buy its renewable energy; securing an arbitrated outcome for an ongoing gas transportation arrangement, an outcome that is a fair and reasonable deal for Tasmanians; and sponsoring Engineers Australia's Women in Engineering Scholarships which aims to boost the number of women entering engineering careers and investing in education programs reaching over 3000 students.

Finally, Chair, as you can see, Hydro Tasmania has continued to deliver outstanding results and is well placed to support Tasmania's position as the renewable energy powerhouse of the nation.

I will pass to the Chair of Hydro Tasmania to make some opening remarks. Thankyou.

Mr EVERY-BURNS - Chair, I would like to echo the points made by the minister regarding the strong financial and storage position. It has been a good year.

The minister also highlighted our continued investment in the hydro power asset base to ensure it continues to provide the service we need, not just today but the needs of a future Tasmanian and national energy market. These assets are the ones that will underpin the contribution that Tasmania has to make as renewal energy Battery of the Nation. That will continue to underpin what is required.

It has been a good year and we want to make sure that translates into good for all Tasmanians. Hydro Tasmania is proudly for Tasmania and we have been part of the Tasmanian community for more than a century. We feel the responsibility to make a positive contribution and build a better Tasmania. In that sense, in the last year the corporation has actively become more outward-looking. This committee is familiar with some of our issues over a number of past years. At that point we had to have some inward focus on energy, security and so on, but now we have deliberately taken an outward focus and in doing that, as we move to the future, the corporation needs the support of its government, which it gets, it needs the support of the opposition and it needs the support of the Tasmanian people. That is how we will build in the future.

We are actively seeking out opportunities to work with and support Tasmanians. Over the past year we have worked with Government to shield the Tasmanian people from increases in energy costs, we have provided support to recreational activities including kayaking and angling, we have supported young women who want to pursue a career in engineering, and we have launched an education program that helps young Tasmanians learn about where their energy comes from in the context of the Australian school curriculum. We have provided funding for grassroots projects that

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make real difference to communities and have upgraded infrastructure to help people safely access the land and water we manage on behalf of all Tasmanians.

While Hydro's home and our priority is Tasmania, our work also has impacts much further afield. I acknowledge the important contribution that our mainland retail business Momentum Energy continues to make to the Hydro Tasmania group in what is an increasingly complex and competitive environment. You only have to read the papers to see what is going on in that space at the moment. Momentum has continued to differentiate itself in this very competitive market with a simple and transparent proposition for customers which has seen the business grow by 5 per cent. When I have reflected with the Momentum people on how they do business, it is a very open and honest way of selling the product. In that sense, Momentum has been leading and actually espousing the ethics we believe are the right ethics.

Our consulting business Entura once again made an excellent contribution to the Hydro Tasmania group, exceeding its sales targets and is well positioned to capitalise on soaring demand for specialist power and water consulting services in Australia and around the world. We have some very good engineers in that space. Entura is providing us with vital support to Battery of the Nation projects and doing some of the work for us in the studies and so on that will be going on.

In this context, I thank the Hydro staff and the team for their contribution and acknowledge the skills that exist in that place that are helping us to move to the future. Thank you very much for the opportunity to make these comments.

CHAIR - Thank you. Before we go to the first question, I failed to mention that we are here to deliberate for three hours so will be finishing at 1.00 p.m.

Mr O'BYRNE - I might start with the national policy framework within which we are heading and operating. Regarding the National Energy Guarantee and the proposal that was put forward by the then federal energy minister, Josh Frydenberg, what advice did Hydro provide Government on the benefits or otherwise of that policy?

Mr BARNETT - The position of the state Government is quite clear in that we will always put Tasmanians first. We have what the rest of Australians want, and that is low-cost, reliable and clean energy. We have ongoing discussions with Hydro Tasmania, TasNetworks, Aurora Energy and a range of key stakeholders in Tasmania. We take on board that advice and respond to that and the feedback and deliberate accordingly.

The Government's position remains very clear that Tasmania First is our policy and there are two key outcomes in that regard. First, we will be fully self-sufficient and fully renewable by 2022. We are on track with the Cattle Hill Wind Farm and the Granville Harbour wind farm now under construction. Our second target is to have the lowest-regulated energy prices in Australia by 2022 for both residential and business.

Mr O'BYRNE - What was the advice from Hydro on the National Energy Guarantee and the consequences of that policy?

Mr BARNETT - We have taken on board that advice. Perhaps Steve or the chair might wish to comment, but the Government's policy position is very clear and is supported by our energy businesses. As you would understand having been in government in the past so you would know how it works, those policy positions are clearly acknowledged and supported by those government

business enterprises. I don't know if the chair or CEO want to add anything further to that but they are welcome to.

Mr EVERY-BURNS - Steve can add any detail, but the point I make is that the corporation itself is well attuned to the discussions that are going on in all levels of government at the moment because inevitably it affects the future. In terms of taking hard stands and advising on hard positions, it is not really our place to do so. Our place is to brief and advise on -

Mr O'BYRNE - What was your advice on the proposal put forward by the then minister on the National Energy Guarantee?

Mr EVERY-BURNS - We recognised the elements of that that went to energy security. In that sense Tasmania as a state is very well placed. We also recognised the benefits that would flow to Tasmania from the emissions elements of that program. That said, again we cannot hang our hat on anything because as a business we simply have to play by the rules that are delivered on the day. In terms of the details or detailed advice, I am not across that as chairman but I can certainly tell you we are across the key elements of the proposals.

Mr BARNETT - All questions, as the chair and committee members know, go through the minister. Just to respond to that part of the question, you have referred to the National Energy Guarantee which included three parts - low cost, reliability, and dispatchable energy-

Mr O'BYRNE - It fell over though, didn't it, because of the policy issues inside the federal coalition government? I suppose our question is, what are the consequences of not having a National Energy Guarantee for Tasmania?

Mr BARNETT - The position of the Government is quite clear. We put Tasmanians first so we have a very robust energy policy that highlights the importance of low-cost, reliable and clean energy. We have what the rest of the country wants and desires. On the mainland they are looking for 30 per cent, 40 per cent and 50 per cent in terms of carbon emissions. In terms of our energy portfolio we are heading to 100 per cent, so we are way ahead of the game. We are well positioned in Tasmania to being a renewable energy powerhouse of the nation because of that low-cost reliable energy, however that pans out at a federal level, and no doubt we will see more discussions about energy policy at the national level, including the last few days in Canberra. It is a moving feast.

Mr O'BYRNE - Suffice it to say it is chaotic, isn't it? The advice is that the national discussions on the NEG are not positive for Tasmania because there is a lack of direction and solution. Would that be fair to say?

Mr BARNETT - The energy policy at the national level is very clear in terms of the importance of putting downward pressure on prices. Tasmania has the lowest regulated electricity prices in Australia. We are leading the nation and it is high time for not just all members of parliament but it is important for members of the Tasmanian community to note the very important position we are in, which is low-cost energy. That is what Tasmanians want because we put priority on the cost of living and cost of doing business.

Dr WOODRUFF - Minister, the Project Marinus report from July 2018 - and by the way, was this named after the Honourable Rene Marinus Theodore Hidding?

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Mr BARNETT - Quite possibly, you never know. He is a very influential person who has been a champion of further interconnection and a champion of Tasmania for more than 20 years in this parliament.

Dr WOODRUFF - Thank you for formalising that. Back to the question. The Project Marinus report -

Mr HIDDING - The true answer is no.

Dr WOODRUFF - and the Battery of the Nation model, which it describes in this report, is predicated on the second interconnector. The cost of that has been estimated - and please disagree with it if you wish in the question - at \$1.2 billion by Marc White from Goanna Energy Consulting. That is his estimate. The federal government has committed to spending at least \$6 billion on Snowy 2.0. What makes you think they are going to spend any money on Tasmania in our bid for \$1.2 billion on a second interconnector.

Mr BARNETT - Thank you very much for the question. It highlights the importance, again, that we are way ahead of the nation in terms of low-cost, reliable, clean energy and we have what the rest of the nation really desires. They would like to get their hands on it. We have to consider the merits of that and are supporting that so long as it puts Tasmanians first under our Tasmania First energy policy.

The national electricity market, wants low-cost, reliable, clean energy. It has been identified by Infrastructure Australia as national infrastructure -

Dr WOODRUFF - A thought bubble. There is no commitment to it at all.

Mr BARNETT - Sorry, this is on the public record. Infrastructure Australia has identified a third interconnection as national infrastructure and a priority project for Infrastructure Australia.

Dr WOODRUFF - No, there is no commitment to that. Where is the written commitment from the federal government for that project?

Mr BARNETT - You have asked the question and I am answering it.

CHAIR - Order, Dr Woodruff. You have asked the question.

Dr WOODRUFF - I would like the minister to be precise with his answer.

CHAIR - Order. I will ask the minister to complete his answer without objections from anybody on my left.

Mr BARNETT - Thank you very much.

First of all, it has been identified as national infrastructure by Infrastructure Australia and a priority project. That is very encouraging indeed. Second, the Australian Energy Market Operator has also identified it as an important part of the infrastructure and what is called the integrated system plan for the future that can help deliver low-cost, reliable, clean energy into the national electricity market. They have named it in their report. Third, COAG, as you know, has a relationship with the Energy Security Board. In a week or two, the Energy Security Board is

delivering to the COAG meeting a report on the merits of further interconnection and transmission across Australia. That report is important to Tasmania. I will be having another meeting with the Energy Security Board very soon to talk about the importance of further interconnection. They recognise it; these are the best brains in the country. They advise all the key stakeholders, is federal government and all the other state and territory governments in the energy space. They recognise it as important to the national electricity market.

Dr WOODRUFF - I could keep asking the same questions.

CHAIR - Dr Woodruff, we will move on then.

Dr WOODRUFF - There has been a lot of talk. We are leading to a federal election so there is always talk about this. The question is: is there any commitment to providing a competitive funder to Snowy 2.0?

CHAIR - Order, Dr Woodruff.

Dr WOODRUFF - That was the question and the minister did not answer it.

Mr O'BYRNE - Minister, we have seen in federal parliament the Morrison government introduce what they are calling 'big stick' legislation. Essentially, it is designed to force state governments sell assets if they manipulate prices. The Prime Minister has accused some governments of dividend stripping from power companies to prop up state budgets. What are the implications for Tasmania and state-owned assets like Hydro with this federal 'big stick' legislation?

Mr BARNETT - Through you, Chair, I appreciate the opportunity to acknowledge that as a state government and as a government business enterprise, we abide by the law. The laws passed in Canberra apply to us and we will respond accordingly.

Mr Bacon - Do you support this legislation?

CHAIR - Order.

Mr BARNETT - I said that we abide by the law in this state. We will abide by law passed at a federal level. We are not concerned by that -

Mr O'BYRNE - You are not concerned about legislation that can force you to sell public assets?

Mr BARNETT - I said that we will abide by the law -

Mr O'BYRNE - You also said you are not concerned.

CHAIR - Order, Mr O'Byrne.

Mr BARNETT - I am absolutely not concerned that we will be acting in breach of the law. I make it very clear. We will provide further analysis. I will be asking my department for further analysis of the legislation. If you are talking about the legislation that is in parliament in the last 24 hours, we will have further analysis of it. We will be abiding by the law and we are not concerned by it.

CHAIR - Order. I remind the committee we are here to scrutinise the annual report of the last 12 months of Hydro. I will allow a certain leniency, but when we start talking about what might or might not go through federal parliament, it is stretching it a bit far. If the minister is happy to answer, I will allow him to answer but I remind the committee what we are here for: to scrutinise Hydro.

Mr O'BYRNE - Thank you, Chair.

Has the federal government briefed the Tasmanian Government and has Hydro been briefed on the legislation and implications of it?

Mr BARNETT - When you say 'it' can you be more specific?

Mr O'BYRNE - The 'big stick' legislation that is in federal parliament. It is called the 'big stick'. Everyone knows what it is about; let us not be cute about it. We know what is going on in the federal parliament over this legislation. Have you been briefed and has Hydro been briefed on the implications?

Mr BARNETT - I am not sure this has anything to do with the 2017-18 financial year for Hydro Tasmania. Nevertheless, I am happy to indicate that we, as a state and in the GBEs, are all obliged to comply with the law; federal legislation, state law and local law. That is very important. We will be analysing it and assessing its impact on Tasmania. That is prima facie in the first instance, so we are not concerned.

Mr O'BYRNE - Have you been briefed, yes, or no?

Mr BARNETT - In terms of the federal legislation?

Mr O'BYRNE - You haven't?

Mr BARNETT - I have a department that monitors these things. We will be seeking further information.

Mr O'BYRNE - Let me be clear. This is federal parliament legislation that could force Tasmania to sell a public energy asset and you are committing you have not been briefed on it?

Mr BARNETT - No, I did not say that.

Mr O'BYRNE - What was the briefing?

Mr BARNETT - This has been discussed off and on over a long time between our Government and all the interstate jurisdictions. It has been to COAG. It has been discussed very broadly in the public arena. Of course, we will be analysing the detail of the legislation very carefully.

Mr O'BYRNE - A number of state governments and state opposition parties have come out criticising this legislation and yet you have remained silent, why?

Mr BARNETT - Because there have been a range of discussions, consultations, negotiations at COAG and other places in the public arena and privately. We are doing our analysis of the legislation.

Mr O'BYRNE - Isn't it a bit late once the legislation gets through?

Mr BARNETT - We will be complying with the law as any good government and government business enterprise would. We will be looking forward to further analysis.

Mr O'BYRNE - You are running up the white flag on this. You have state governments on both sides of politics heavily criticising this legislation, yet we have heard no public utterance about it. Have you been briefed by Hydro about the implications of this?

Mr BARNETT - We have regular, ongoing consultations and discussion with all of my GBEs, including the department. Those discussions are ongoing. I am happy to go back to that question if you want to.

Dr WOODRUFF - Minister, the Government's feasibility study for a second Tasmanian interconnector produced by Dr John Tamblyn last year, found the cost of a second interconnector would be recovered from consumers, either through the wholesale or the network component of consumer bills. Is that still the case with the proposed second interconnector that is being explored?

We have just heard from you that Hydro already has a \$703 million debt, so we are not in a strong financial position to take on more debt that would end up having to be paid for by consumers if there isn't an income stream that is coming from that. Is that still your position?

Mr BARNETT - I will tell you what the state Government position is -

Dr WOODRUFF - On this issue, minister, I am not talking about your general policy issues. I am talking about 'will be recovered from consumers' as was listed in the report?

Mr BARNETT - Our position; let me outline the state Government position. We will do what puts Tasmanian first. We will not compromise in any way the position of our Government or our GBEs or Tasmanians.

Dr WOODRUFF - Minister, with respect, that is not an answer.

Mr BARNETT - Let me make it very clear: we have a feasibility study that has been undertaken. You have referred to the July draft report in your earlier question.

Dr WOODRUFF - We are talking about the April 2017 report. Different report, different issue.

Mr BARNETT - You referred to the July report in your earlier question and I am just saying that the final report has not been delivered. In terms of the final report, that will be made available to the public in due course in the not too distant future, in the coming months.

Dr WOODRUFF - Minister, I am talking about Dr John Tamblyn's implications for consumers where he said that the cost of a second interconnector would have to be passed on to consumers. Is that still your position?

Mr BARNETT - I am trying to answer your first question to say we do not have a final figure yet. That was your first question and the answer is that we do not know the final figure yet.

Dr WOODRUFF - It might be passed on to consumers because you have not developed a position?

Mr BARNETT - Let me make it very clear: we have a position of having the lowest regulated electricity prices in Tasmania. By 2022 our target is to have the lowest regulated electricity prices for residential and business consumers. We have plans to de-link from the Victorian wholesale electricity prices in mid-2021. Tasmanians should be paying Tasmanian prices on Tasmanian power so we want to do what is best for Tasmania. That is what motivates the Hodgman Liberal Government and we will always keep that as our top priority.

Dr WOODRUFF - But you cannot de-link when you are putting in a second interconnector. We already have one and we are already linked; a second connector will be linked twice. Unless you are talking about getting rid of cables altogether, we will be linked to the mainland, we will be linked. Where is the money coming from and who is going to pay for it?

Mr BARNETT - I identified it already as national infrastructure.

Dr WOODRUFF - I think you have made it clear but you have not ruled out consumers paying for it; you do not have a position of consumers not paying for it.

Mr BARNETT - I have a position on behalf of the state Government that we put Tasmanians first.

Dr WOODRUFF - It does not make any sense.

Mr BARNETT - That is your view, it is not my view.

Mr O'BYRNE - Minister on the legislation that is before the federal parliament and for *Hansard* it is called Treasury Laws Amendment (Prohibiting Energy Market Misconduct) Bill, have you provided any input into that legislation? Are you in a briefing now, or what is going on?

Mr BARNETT - I am more than happy to answer the question, absolutely.

Mr O'BYRNE - It is the same answer you give every time.

Mr BARNETT - We have received feedback on the proposal at COAG, in other public and private forums, and those discussions are ongoing. With respect to the detail of the legislation, I look forward to further advice, feedback and further analysis of it, but we will certainly be abiding by the law.

Mr O'BYRNE - One of the key aspects of the proposed law - and the Prime Minister himself has talked about dividend stripping from public assets - is the current dividend policy sustainable in your belief that you will honour the new laws coming through? What are the implications of such a large dividend policy, an aggressive dividend policy by the Government for Hydro? Will that mean that if you continue to strip the dividends in the way you have in your current policy, will that mean you will be forced to sell it?

Mr BARNETT - When you talk about stripping of dividends -

Mr O'BYRNE - They are the Prime Minister's words.

Mr BARNETT - Yes, you are repeating them here at this table as though it is a view that you are putting to the Government.

Let me make it very clear, we do not strip, we are not making a stripping of funds from the Hydro. They are in a position of providing a sustainable and a profitable outcome for Tasmania where they are then reinvested in important services like health, education and police.

We are very pleased with the sustainable, profitable position. It is a strong position of Hydro Tasmania and we have an expectation of sustainable profits going forward.

Mr O'BYRNE - Have you advice from Hydro around the implications of this legislation in terms of their dividend policy given the legislation is designed to drive prices down?

Mr BARNETT - We have a position in Tasmania where we already intervene in the market through a CPI cap.

Mr O'BYRNE - I understand that. I am asking have you received advice from Hydro on this legislation now that has already gone through in the House of Representatives? Have you got advice from Hydro about the impact on the dividend policy going forward?

Mr BARNETT - I have not sought nor received advice from Hydro Tasmania in the last 24 hours on the legislation that you are referring to. But we have ongoing discussions and consultations on a range of things including the importance of delivering a sustainable, profitable business for Tasmania.

Mr O'BYRNE - If this is a policy that has been floated around for quite some time, as you are saying, why have you not received advice from Hydro about the policy?

Mr BARNETT - I did not say that. I said in the last 24 hours.

Mr Bacon - What is their advice on whether or not the 90 per cent push is in breach.

CHAIR - Order, order.

Mr O'BYRNE - What is their advice on the dividend policy, from Hydro, about this legislation?

Mr BARNETT - That is obviously a matter for Hydro Tasmania and I am happy to pass to the CEO to make any comment if they would like to. I have just affirmed the position of the Government that we abide by the law; we keep the law and so do our GBEs.

Mr DAVY - The first comment is that the dividend for the year just passed, 2017-18 financial year, was recommended by the board to be \$80 million. That is what is in the annual report. That comes from the good year that we have just had.

In terms of the implications for Hydro Tasmania in light of the legislation that is going through the federal parliament at the moment, electricity prices in Tasmania are already regulated in the contract market. In fact the Government is reviewing those regulations now to ensure that when

very high prices are happening in the national market they are not passed through to Tasmanian consumers. We do not see that any of the measures that are being proposed in the federal legislation are going to affect what we are doing in Tasmania because our contract activity is already regulated.

We have not yet considered the point that you just made about whether it is going to create different revenue streams for us, either higher or lower, as a result. I do not expect that it will have a material effect on the operation of our business.

Mr O'BYRNE - Have you been briefed on the federal legislation from the federal government?

Mr DAVY - We have not been briefed by the federal government, no.

Dr WOODRUFF - Minister, in Hydro's report, this one from April 2018, the Battery of the Nation, it says that the Battery of the Nation work can be seen to be continuing the work that was commenced with the Tamblyn report. In his report to you, minister, Dr Tamblyn recommended the Tasmanian Government develop a detailed business case for a second Tasmanian interconnector only when our ongoing monitoring has established one or more of three pre-conditions having been met.

The first one was that the Australian Energy Market operator with Hydro and TasNetworks concludes in a future national transmission network development plan that a second interconnector would produce a significant, positive net market benefit under most plausible scenarios. I do not understand that that has yet happened. The second was that additional interconnection is approved for construction between South Australia and the eastern states. I understand this has been proposed by the New South Wales Liberals but not confirmed. The third condition was a material reduction occurs in Tasmanian electricity demand.

Can you tell us which of these conditions of Dr Tamblyn has been met, in your view, because that was the pre-condition he set for this work to go ahead?

Mr BARNETT - The position of the state Government is to support the Battery of the Nation. Those reports were commissioned because we thought it was in the best interests of Tasmanians to proceed. With respect to the first report that you are referring to that was between Hydro and ARENA, which is a federal government agency. So again, it is the Tasmanian Government working in partnership, in cooperation, with the federal government. I will ask Stephen to refer to the importance of that report. Already it has identified 14 possible pumped hydro sites and that is to be whittled down and reduced in number so we can get to approximately 2500 megawatts capacity, delivering thousands of jobs and billions of investment across Tasmania, but it must be done on a commercial basis and always putting Tasmania first. Steve might want to add to that.

Mr DAVY - In terms of the three conditions that the Tamblyn review set out, the national transmission planning document has been replaced by the integrated system plan and AEMO recently provided its first attempt at the integrated system plan where it identified the need for much more interconnection and storage in the system. We have also identified what other proponents have identified, windfarm projects. Rather than there being a reduction in Tasmanian demand, what we are seeing as a result of the fantastic wind resources in Tasmania and the fantastic opportunities that exist for proponents is that there is likely to be a surplus of renewable production should these projects go ahead. We believe the addition of more interconnection working hand-in-hand with the investment in renewable projects in Tasmania will in fact work to prove up the business case for more interconnection.

The integrated system plan AEMO talked about identified that by 2040 Australia would need 17 gigawatts of storage. To put that in perspective, the Snowy 2.0 project is 2 gigawatts of storage, so another seven Snowy 2.0 projects would be required across the national market. Tasmania is ideally placed to provide that additional storage to the national market. It is that investment and interconnection that will enable that storage and windfarm development to be built. In many ways the ISP and the measures that are happening across the national market have kind of superseded the thinking in the Tamblyn review.

To elaborate a little further, the Victorian government has a policy of catalysing a lot of renewable energy development. That is likely to end up in changed economics for the existing coal-fired power stations in Victoria. If those coal-fired power stations close before the end of their useful operating life more capacity is going to be required in Victoria very early. Tasmania already has surplus hydro generation capacity that could earn more money if there was more interconnection, and then there is the extra pumped hydro projects we are looking at as well as the extra windfarm projects that other proponents are looking at. There is a lot of investment that could be unleashed in Tasmania over the coming years with more interconnection.

Dr WOODRUFF - Through you, minister, for clarification I am trying to drill down into this report because Dr Tamblyn's recommendations were quite clear about the preconditions. It was not just that an AEMO report or other Australian body report would identify, first of all, the need for Australia for renewable energy - that is obvious - and second, the possibilities for Tasmania for generating energy. The precondition was that a report would identify significant positive net market benefits under plausible scenarios on the benefits for Australia for putting a second interconnector in from Tasmania. It is not that we need more power generated - we do as a country - it is a question of whether the Australia energy market stumps up the money to pay for that second interconnector, or whether we seem to be considering in Tasmania that we go it alone, not necessarily on the basis of Dr Tamblyn's preconditions being met.

Mr BARNETT - Let me make it very clear: we are not planning to go it alone; we never said we would. It is national infrastructure and it should be recognised accordingly. I have made that very clear time and time again, so I do not want any perception to be put accordingly.

The other thing I need to clear up in terms of Dr Woodruff is the suggestion that we are delinking physically from Victoria. That is not true; it is wrong. We already have Basslink so are already linked to the mainland. We are delinking from the Victorian wholesale electricity market. We have made that position very clear. We regulate our market here in Tasmania in terms of the wholesale and indeed the retail market, to respond to Mr O'Byrne as well, that is why as a government we will abide by the law. We are not concerned by that because our market is regulated at the wholesale and retail level. I wanted to clarify that.

Dr WOODRUFF - Minister, what I am hearing from this is that those three preconditions have not been met. I want that clarification.

CHAIR - Dr Woodruff, we are moving on now.

Mr BACON - To be clear, minister, you haven't taken advice on whether or not the Government's 90 per cent dividend policy will put us in breach of the federal legislation that is before the parliament at the moment?

UNCORRECTED PROOF ISSUE

Mr BARNETT - We are not concerned by the federal legislation because, as I have made very clear, we are regulated at both a wholesale and retail level. We have the lowest regulated electricity prices in the nation at both a residential and business level. It is not my word. It is the economic regulator's word and, indeed, Energy Consumers Australia also confirm that, so no, I am not concerned.

Mr BACON - You haven't been briefed on the legislation but you're not concerned by it. Is that effectively what you're saying?

Mr BARNETT - Don't verbal me and put words in my mouth. Please try again on your question - fire away.

Mr BACON - Have you taken advice on the impact of the federal legislation on Momentum?

Mr BARNETT - We have received and had consultations at a high level and at COAG and both in the public and private space with other jurisdictions. With respect to the federal government's objectives and plans, we are not concerned by those. We are a regulated environment here in terms of how it operates.

Mr BACON - Does Momentum operate under a regulated environment?

CHAIR - Order. The minister had not completed his answer. You will have a further opportunity once he has done that.

Mr BARNETT - With respect to how we operate in Tasmania, I am not concerned. Steve might want to add his view with respect to Momentum.

Mr DAVY - We are not concerned about any potential negative impacts on Momentum as a result of this legislation.

Mr BACON - Have you briefed the minister on the impact on Momentum from this legislation?

Mr DAVY - No, we haven't.

Mr BACON - Has anyone briefed you, minister, on the impact on Momentum?

Mr BARNETT - We have received general feedback and consultation at COAG and elsewhere on the legislation and the objectives of the federal government. We are not concerned by it.

Mr BACON - I just can't believe this.

Mr O'BYRNE - You've got every state government effectively jumping up and down criticising this legislation, particularly those with assets regulated or not that are in public hands, yet we've heard nothing from you and you can't even say you've had a direct briefing on the impact.

CHAIR - That is a statement, Mr O'Byrne. Do you have a question for the minister?

Mr O'BYRNE - Have you been briefed on the impact of this legislation on Hydro and Momentum? Not general discussions, but a direct briefing of the implications?

Mr BARNETT - We have consistent and regular briefings with our government business enterprises in the energy space with the department and the key stakeholders. We are always doing what we can to put Tasmanians first. We have a Tasmania First energy policy.

Dr WOODRUFF - The record will show that the minister is not answering the question.

Mr BARNETT - We are aware of the federal legislation and the objectives of the federal government and we are not concerned.

Mr O'BYRNE - You're not concerned about it? Okay.

Dr WOODRUFF - Minister, the second interconnector proposal has had some substantial work done on it, which is part of the Battery of the Nation, and I would imagine the work Hydro has done has taken a substantial amount of money in terms of consultants and expertise. Could you tell me, or through you to the CEO, how much money has been spent on developing the regulatory case for the Battery of the Nation? What is the business case and when will it be provided to the Tasmanian community?

Mr BARNETT - For pumped hydro or Battery of the Nation interconnection?

Dr WOODRUFF - Both, because as I understand it, pumped hydro is a part of the Battery of the Nation idea. We have seen the regulatory case; we seen a whole lot of constant media events about these things. It is a bit like being on an episode of *Utopia* sometimes. Reports are written, conversations are had, media events are held. Where is the business case and when will it be released to the public?

Mr BARNETT - The research you are referring to has two parts. First, there is the feasibility study into further interconnection which is an arrangement between the state and federal governments through Australian Renewable Energy Agency, ARENA, and TasNetworks. Then we have the agreement and the work that has been undertaken on pumped hydro between Hydro Tasmania on behalf of the state Government and ARENA. I will let Steve speak to that with respect to the former.

The July draft report you referred to was released; it is a public document. We are expecting the final report to be received and assessed by the Government and be made available in the coming months. It is a very important report, looking into the feasibility of further interconnection, looking at the capacity, the geography and its merits. Then there will a further report under that agreement between the state and federal governments or TasNetworks and ARENA into the business case.

You keep asking questions about the business case and whether it is viable. That work and analysis is still to be undertaken and completed. Some work has been done, but more work is required before it is concluded.

Mr DAVY - To repeat what the minister is saying, Project Marinus, the study into further interconnection, is a study jointly funded by ARENA but TasNetworks is implementing that study. I cannot answer questions about the -

Dr WOODRUFF - No money spent from Hydro on the project management work at all so far?

Mr DAVY -We have seconded a small number of staff to TasNetworks who have expertise in that area. Generally, we are not part of that team. TasNetworks is doing the Project Marinus work.

Mr BARNETT - On pumped hydro?

Mr DAVY -Yes.

Dr WOODRUFF - The Battery of the Nation.

Mr BARNETT - I will ask Steve to talk to about pumped hydro.

Mr DAVY -We have been involved in a few different streams. All these streams have been co-funded by ARENA. There is a Tarraleah pre-feasibility and Gordon feasibility stream. At Gordon we investigated the option to put a very small additional unit at Gordon Power Station. At the moment we are not proceeding with it, but we may well re-enliven those plans at some later stage.

Through the Gordon Power Station, we run water continuously for environmental flows down the Gordon River. We sought to put a smaller unit at Gordon Power Station so those flows would be used more efficiently to generate more electricity and to have less wear and tear on the large Gordon units.

There has also been a Tarraleah pre-feasibility study which was completed a number of months ago. As a result of that pre-feasibility, we have now embarked on a full Tarraleah feasibility study.

Dr WOODRUFF - I thought you just said that was not proceeding.

Mr DAVY - No, the Gordon feasibility study -

Dr WOODRUFF - The first one - you said, 'the Tarraleah -

CHAIR - Order, Dr Woodruff. When an officer is answering a question, it is bad enough if we interject on a minister, but -

Dr WOODRUFF - Excuse me, Chair, I think he was repeating himself.

CHAIR - If he can complete the answer and then you will have the opportunity to ask another question.

Mr DAVY - At the moment we are proceeding with the small Gordon unit but that was one of the first things we studied as a result of the Battery of the Nation.

We also spent considerable effort to understand the options at Tarraleah. As a result, we have now embarked on a full feasibility study for a Tarraleah redevelopment, which the minister referred to in his opening remarks. It takes the water used at Tarraleah Power Station, which is the water from Lake St Clair that flows through Lake King William, and utilises that resource in a more modern and flexible power station. That feasibility study is ongoing. The Tarraleah pre-feasibility, the Gordon feasibility and the Tarraleah feasibility total just over \$5 million. Half of that is funded by ARENA.

Dr WOODRUFF - Through you, minister, my question is perhaps to Mr Davy. My question is about the thousands of jobs and billions of dollars, which the minister has said in public statements, that a Battery of the Nation will provide and cost. Where have those figures come from? Have you provided them to the minister? Have there been briefings, costings on the money available.

Mr DAVY - You asked me a question about how much money we have spent so far.

Dr WOODRUFF - There were two parts to the question, sorry.

Mr DAVY - I have not finished that bit yet.

We are also in the process of spending more than \$1 million on pumped hydro assessments. The first phase was to narrow down to 14 options. We are now going through those 14 pumped hydro options to develop the most sensible options to take forward into feasibility. That work is projected to take until the middle of next year, to end up with a handful of favoured pumped hydro sites. We have already talked publicly about a couple of prospective areas. At Lake Plimsoll and around Cethana but there are others.

We have also spent about \$1 million on broader NEM studies. How does the whole of Tasmanian opportunity fit into the national market? That is probably the most interesting and important piece of work upfront. It has made the case that economically Tasmania should be able to provide cost-competitive power to the nation. If it is cost competitive to the nation it stands to reason that it should not cost Tasmanians anything. What we are saying is that whatever money needs to be spent in Tasmania, it needs to be paid for by revenues from outside of Tasmania. That is the premise that we are operating under for the Battery of the Nation project.

The benefit to Tasmanians is a more reliable supply in Tasmania as a result of more investment as well as the economic impact of the construction activity that would take place. We have estimated that for each of the pumped hydro plants, for example, about 300 construction jobs would be created during the construction period. The combination of the pumped hydro, the windfarm development, the transmission strengthening, the interconnection all adds up to about \$5 billion worth of investment through the first phase. We work with the Government to provide those estimates which I think was the second part of your question.

Mr O'BYRNE - Pumped hydro is not new technology; it is oldish technology. I understand there is a net loss of 20 per cent of generation just to get the water back up the hill. The projects as outlined are a massive sunken cost to Hydro and to Tasmania. What are the risks you have identified and be assessing that will be considered in this process?

Mr BARNETT - Sorry, what are the what?

Mr O'BYRNE - What are the risks to the project?

Mr BARNETT - I will ask Steve to respond in further detail in as moment. My concern is, first of all, about the Greens' opposition to further interconnection and, second -

Dr WOODRUFF - Do not put words in my mouth, minister. It is not your role to speak for me. This is public scrutiny.

Mr BARNETT - I am making it clear that I am concerned -

Mr O'BYRNE - Wait till she asks another question.

Dr WOODRUFF - This is a committee where we ask you the questions. You do not put words into my mouth.

CHAIR - Order.

Mr BARNETT - Likewise I am concerned about the Opposition members across the table and their seeming criticism of the Battery of the Nation and these likely thousands of jobs and billions of dollars that could be invested in Tasmania. I express serious disappointment.

Mr O'BYRNE - You are having a go at the wrong party about Hydro. We built it. You have the wrong party.

Mr BARNETT - With respect to the question: this work is ongoing. It is federal and state government collaboration, working together. It is being funded through ARENA and Hydro Tasmania. A lot of work has been put into the merits of pumped hydro; 14 sites have been identified. Work is now ongoing to identify the preferred sites that are economically, socially and environmentally feasible to be undertaken. We are excited about it. We are very positive about it.

I would like all members of parliament to be more positive than you, Mr O'Byrne, about the prospects for Tasmania. It is visionary. It is vision in action delivering jobs investment and growth and doubling our power capacity in Tasmania - billions of dollars of investment and thousands of jobs.

Mr O'BYRNE - What about an answer to the question?

CHAIR - Order. The minister just handed over to the CEO.

Mr DAVY - Thank you, Chair. In terms of the risks, first I will go through some of the construction and other societal issues. The reason we have started with such a big funnel is we want to make sure that the projects we would take through a full feasibility and business case have already had the biggest problems identified, and the projects that would potentially have large issues do not get taken forward. We have been very careful engaging with local communities and staying away from sensitive areas with the projects and options we have been analysing so far. We are certainly in a position where we do not need to proceed further with any pumped hydro ideas that would either have environmental issues or cause local social concerns. We are also being very careful about the geology of the areas we are looking at to make sure we are not faced with high construction costs wherever we may choose to take further efforts to investigate the feasibility further.

What we have focused so far on is the economic case for building in Tasmania rather than storage options available elsewhere. Storing electricity, whether through pumped hydro or batteries, does have a small amount of energy consumption through the process of pushing water uphill so you can run it back down again, and the same is true of storing energy in batteries. That cycle uses a bit of energy, but the reason storage is so important is that at some point in the future - and it will not be too far away - there will be so much variable renewable energy in the system that

at times there will be surplus energy from either solar or wind that if it is not stored would be otherwise unable to be used. Storing energy that is surplus to consumer demand during a certain period to make it available later on is a better way of making the system reliable than having additional gas-fired generation, say, to ramp up to supply energy when solar and wind can't. Yes, storage has a consumption of energy, but it is consuming energy when it is unable to be used by consumers.

In terms of the business case for a specific pumped hydro project, we are still a way from that. As to the kinds of measures that have been talked about nationally - the Underwriting New Generation initiative, the ACCC recommendation 4 initiative - it may be that if the national framework for the way the market works includes long-term revenue streams for future generation investments, they may be the kinds of initiatives used to get pumped hydro projects across the country, not just in Tasmania, over the line financially. We have not yet got to the point where we are considering a business case for pumped hydro investment. We are back at the stage of narrowing down the potential sites to come up with the favoured sites in Tasmania.

Mr O'BYRNE - Does Hydro have a view on the market-based risks that have been presented, such as significant renewable energy investment on the mainland, improvements in technology around batteries and dealing with intermittent power sources from both solar and wind? We are not having a crack, but we just need to understand if you have started to take that into account, because if it is a massive sunken cost then the return on investment is many years, and if the market dynamics within a decade change significantly, given the nature of the Tasmanian market it is really hard to defray and to try to sort of hedge those investments. If you could talk us through your thinking on that it would be good.

Mr BARNETT - Thank you for the question and I will ask Steve to add to this. I think it is a legitimate question and a good one because it is a long-term strategy and a long-term investment and you want to be confident in the terms and conditions that they will benefit Tasmania. What we are seeing on the mainland, for example, in the National Electricity Market is that it is fragile and in transition, and specifically in Victoria but in most of the other states, there is an increase in solar and wind and that is delivering what is called intermittency.

Mr O'BYRNE - That will be dealt with soon in terms of technology improvements - at some stage in the future.

Mr BARNETT - I am just sharing an observation that all observers, not only the state Government or the Hydro, note and acknowledge. Steve Davy has already highlighted the need for 17 000 megawatts worth of storage or dispatchable energy going forward. That is over the next 15 to 20 years so it is not short term or a quick fix. This is what the market expects and the Australian Energy Market Operator has identified this specifically. Other observers accept it and note the need for dispatchable or reliable energy. We have it so we have what the rest of the nation really want and need, low-cost, reliable clean energy.

The reliability is something they don't have on the mainland and going forward, particularly in the coming years, it is a very serious issue with the increase in solar and wind because when the wind is not blowing and the sun is not shining, they have an issue. With coal exiting the market over coming decades, even in accordance with accepted and usual regimes, once they come to their end of life, they still need that storage. That is where we are in a fine place with our 30 power stations and these pumped hydro opportunities. Maybe Steve could add to that.

Mr DAVY - Sure. The risks that such an investment might not end up being profitable are the risks we need to consider in developing and bringing forward a business case. We have started to think about that very seriously. The risks you outlined were two main ones. Once the asset has been built, other assets could be built which reduce the revenue streams. The way to get around that is to have long-term revenue streams being created already for the investment in that asset. The National Energy Guarantee reliability mechanism goes part-way to developing those kinds of revenue streams and the Underwriting New Generation initiative is another initiative of that type. The safest way to make a long-term investment like this would be to have a number of years underwritten through some kind of contractual arrangement.

Mr BARNETT - To that quickly to assist, let's say even if we could get to 2500-megawatt capacity into the national market, they are looking for 15 000 megawatts and growing over the next 15 years. Snowy is about 2000 megawatts or thereabouts as well, so even if you have ours and Snowy together, they are still in desperate need of storage. We are well placed here and we are feeling confident but the assessment needs to be done. We need to go through the feasibility process and in any event, we won't be supporting any proposal that is not in Tasmania's best interest.

Mr DAVY - The other part of the question was, will other technologies beat pumped hydro? Most of the projects we are looking at the moment are in the range of \$1.05 million to \$1.5 million per megawatt installed and they will have 10, 20, 30 hours of energy storage behind them. So let's say \$1.5 million but there is 20 hours of storage. At the moment battery technology costs about \$1 million per megawatt to install and that is for one hour's worth of storage.

Mr O'BYRNE - At the moment?

Mr DAVY - That is right, at the moment. To accomplish what we can with \$1.5 million for 15 hours of storage is one-tenth the price of what can be accomplished to store the same amount of energy with a battery service. Battery technology would have to come down dramatically in price. It would have to fall by 90 per cent from where it is now. One day that might happen but we don't foresee that happening for a number of decades at the moment, so pumped hydro investment right now is a great way for providing that 10 to 30 hours worth of storage. In fact, anything over three or four hours of storage is going to be much cheaper in pumped hydro for the foreseeable future.

The other serious thing for Tasmania is that this opportunity is there now. If Victoria needs more power in 10 years' time and the investment has not taken place in Tasmania it will take place somewhere else and the opportunity for Tasmania would have been missed.

CHAIR - Thank you for that. A very quick break.

The committee suspended at 11.10 a.m.

Mr O'BYRNE - We saw the energy crisis, a few years ago, cause some concern. We have some legislation through the House to try to deal with some of those matters. With pumped hydro and the second connector, the perception of a conflict of interest around the system security and reliability and the need for profit, how will that be managed?

Mr BARNETT - There will be a lot of consideration and work undertaken in terms of the merits and opportunities for Tasmania with the economic, social environmental benefits and the challenges and the risks. As the CEO has outlined, we are already doing feasibility studies into pumped hydro. That has been underway, is still underway and there will be further reports next

year on that and interim reports and feedback to government on the merit of pumped hydro, the legislative, regulatory and legal framework and how that would operate. There will need to be further consideration given to that to ensure we protect the public interest and ensure any competition issues are dealt with. There is a range of matters that still need to be worked through.

This is a very challenging opportunity but it is a special one that want to grasp with both hands, as a state government. If we sit around in a passive way, as past governments have done, that will not happen on my watch and it will not happen under our Government. We will be very proactive and have been, and will remain so.

Mr DAVY -The vision for Battery of the Nation is that there is a lot more renewable energy in Tasmania because of the wind farm construction that would catalyse. Tasmania would go from being net self-sufficient in renewable energy, which we are not far from and will get to when the two wind farms under construction Tasmania are completed, to being a net exporter. That is the first way energy security will really be enhanced in Tasmania because there will be a surplus of renewable energy in Tasmania. The second way energy security would be enhanced would be that there would be more than interconnector, so even if with the extra wind we ended up in an energy deficit we would no longer be reliant on a single interconnector for importing in the rare event we would need to be a net importer.

Generally the pumped hydro we are talking about sits within a cascade, so the ability of the system to store energy for use later in the year is still there. Pumped hydro is a cycling of water from one reservoir to another reservoir, so the water is not flowing down through the cascade and lost, it is recycled within the upper reaches of a cascade normally.

Dr WOODRUFF - I want to put on the record that the Greens are and always have been the strongest advocates for renewable energy. Unlike any other political party in the country, we understand the urgent need to bring down our global emissions. The issue for us with pumped hydro is to make sure that in the process of doing what we can we do not impoverish the state. That is the background, just to make it very clear. We are absolutely on board with renewable energy, pumped hydro and all those forms of renewable production.

The question is about the business case. Looking at Basslink 1, we have a Basslink service agreement that goes for 25 years and I understand we are halfway, about 12.5 years, through that process. In that period, Basslink has generated \$560 million from arbitrage from the sale of electricity across that interconnector. That equates roughly to \$45 million on average a year over the last 12.5 years and I understand that the annual cost of Basslink we signed up to is \$90 million. My question to you, minister, or through you to the chair or CEO, is what is making up the rest of that \$45 million? Where does that money come from? Who is really paying for it?

Mr BARNETT - You have asked two questions and made a comment so I will respond first to say that the Greens have never, to my knowledge and understanding, supported a major hydro development nor a major wind development. The Greens have opposed them at every turn. You say you support renewable energy but I do not accept that. It is simply platitudes.

Having said that, with respect to your question in and around Basslink, I indicate to the committee that this is a very sensitive matter because there is a dispute with Basslink and Hydro and the State of Tasmania. It is in arbitration and I and members around this table will not be commenting in any way, shape or form with respect to that, or matters that may relate to the

arbitration and litigation before us. Having said that, I will see if the CEO would like to add anything to that answer.

Mr DAVY - Basslink is a reality for our business right now, so we do not regularly look at the counterfactual of what our business would be like and how the business would have performed without Basslink. However, back when the expert panel reviewed the investments made in Tasmania, I think around six years ago now, we did do that and evaluated through the cycle of the first six years of Basslink's operation the benefits to the state in dealing with the ups and downs of when it was dry and when it was wet and the alternatives that would have had to have been used in the state to supply energy while it was dry.

For example, we had a gas-fired generator that we would have run more often during the dry period. Basslink had been about paid for by the benefits it brought to the state. Net on net it would have been more expensive to supply the electricity to Tasmanians for that first period. I have no reason to believe that a similar piece of analysis looking forward or looking back, putting aside the outage which is a different consideration, would be much different if it was done now.

Dr WOODRUFF - You are effectively confirming then that on average we have \$45 million going out of Hydro each year over the last 12.5 years to pay for, as you have said, the benefit of having some security in terms of dry years in Tasmania by being able to import. You just mentioned some benefits there and said that a report was done six years ago and the conclusion was made that the benefits were substantial enough to have made it worthwhile. We are not arguing that case. I am asking if you can confirm that every year it is costing Hydro \$45 million on average? Can you confirm that is happening? That report was done six years ago. There was another 20 years to go then in our facility fee contract with Basslink, with the Keppel Holdings company. Are you saying Hydro will not be doing an assessment of the costs and benefits in light of going into another massive expense like Battery of the Nation, looking ahead at being cost-competitive for consumers?

Mr BARNETT - I will ask the CEO to respond but I will just make two responses to the question. First of all, we are straying very closely to the litigation currently before us in terms of the arbitration. Second, the member for Franklin would be aware that it is a private arrangement between Hydro Tasmania and Basslink. It is not a regulated link, as other transmission lines are around Australia and, as such, some of that information is subject to commercial-in-confidence. Having said that, I will ask the CEO if he would like to add anything further.

Mr DAVY - The first point I would like to make is I don't know if your arithmetic is correct.

Dr WOODRUFF - You have never done that analysis yourself? This is an annual cost to Hydro.

Mr DAVY - I don't believe that to be the case. Yes, there is an annual fee, but it is a private amount and it varies year by year. To say that the benefit that sits on the other side is the arbitrage revenue that is handed from Basslink back to Hydro Tasmania is not the point of the agreement. The arbitrage revenue you are referring to is the difference between the spot price in Tasmania and the spot price in Victoria during that half-hour while the energy is flowing in one direction or the other. That is an outcome of the market settling. The benefit to Tasmania and the benefit to Hydro Tasmania is about either being able to import electricity during certain times of the year and export electricity. The benefits are to do with the value of the electricity that is imported and what it is worth and the value when it is exported. It is a different calculation than that surplus you are talking about that is delivered to Hydro Tasmania through the Basslink Services Agreement.

Mr O'BYRNE - Just on Basslink, what is the value loss of the de-rating of the cable in Hydro's opinion?

Mr BARNETT - Sorry, Chair, this is seriously in breach of the principles that I laid down at the beginning of this discussion around the arbitration arrangements. We simply cannot comment, nor anybody around this table. This is a very serious matter. I ask all members to abide by that principle, please.

Mr O'BYRNE - I have a question that may stray into that. At the end of the 12-year period you have a 15-year option. How does Hydro value that option now?

Mr BARNETT - Again that would definitely stray into commenting in respect of the arbitration arrangements, so I don't accept that question and will refuse it on that ground.

Mr O'BYRNE - All right. Let us go to -

Mr HIDDING - There are many hundreds of millions of dollars involved.

Mr O'BYRNE - I understand, I get it. Could you update the committee on the status of the Tamar Valley Power Station, please?

Mr BARNETT - The status of the power station?

Mr O'BYRNE - Has it been used this year, for example?

Mr BARNETT - Yes, happy to give you an update on the Tamar Valley Power Station. I am looking for the correct reference. It is a very important part of ensuring we have energy security in Tasmania.

Mr O'BYRNE - Yes, we know that.

Mr BARNETT - You have asked for an update and it remains a very important part of ensuring energy security. That is a top priority in Tasmania, and it remains the case. Regarding operational matters, I am happy for the CEO to speak to the Tamar Valley Power Station.

Mr DAVY - The Tamar Valley Power Station consists of five units, a large combined cycle unit and four smaller open cycle gas units. I will take your question to mean the running of the combined cycle unit?

Mr O'BYRNE - Yes.

Mr DAVY - The smaller units run often from time to time. The larger unit ran from January 2018 to the end of March 2018. It ran in the previous financial year. It has also run for a week in, I believe, late August following a regular scheduled long outage that took place between late June and August.

Mr O'BYRNE - That is the Basslink outage?

Mr DAVY - No, the Tamar Valley combined cycle unit is a combined cycle gas -

Mr O'BYRNE - You were doing maintenance on it, sorry.

Mr DAVY - Yes.

Mr O'BYRNE - I assumed that you were referring to the outage of Basslink.

Mr DAVY - No, that was a different time.

Mr O'BYRNE - That was a different time.

Mr DAVY - We had a multi-week outage at the combined cycle unit. It was like your car had a regular service, but this is a very big service. It costs about \$10 million and it was the first really major intervention. There are regular intervals to check parts; this was a regular intervention after 54 000 hours of service. After that service it was run for a week to test that everything was going properly and it is now back into a kind of stand-by mode.

Mr O'BYRNE - Care and maintenance?

Mr DAVY - No, not care and maintenance, it is in a stand-by.

Mr BACON - Dry lay out.

Mr DAVY - Yes, dry lay out is what we call it, so it is able to be restarted within a few weeks. The staff are all there to operate it, but it is available for service when needed. Generally, our practice would not be to operate it through winter, because we have plenty of water coming in. It would create spill at the moment to have the combined cycle operating. Also, gas is very expensive and there has been lots of national debate about how expensive gas is. Even though electricity prices are high across the national market it is not cost effective for us to generate using that plant at the moment.

Mr O'BYRNE - Unless it's strategically needed, that is right. How many people are employed at the station at the moment?

Mr DAVY - I believe it is about 30, but I can have the exact number to you by the end of the meeting.

Mr O'BYRNE - Excellent. Those workers currently working there, did any of those workers receive a redundancy package from previous years, like previous employees?

Mr BARNETT - What is the question? You mean this year?

Mr O'BYRNE - Yes. The current list of employees, are any of those employees beneficiaries of a redundancy package paid out from their work previously at the power station?

Mr BARNETT - That is something I don't have the answer to.

Mr DAVY - I don't have that number to hand but I will -

Mr O'BYRNE - Can you take that on notice?

Mr DAVY - Yes. We will probably be able to provide it by the end of the meeting but if we can't we will get back to you as soon as possible.

Mr BARNETT - If we can't we will get back to you as soon as possible.

Mr O'BYRNE - Fantastic. What is the annual cost of the maintenance of the Tamar Valley Power Station? Having it there, ready to roll. It would be different from year to year but for the year in question, what was the cost of having that facility?

Mr DAVY - Putting aside the cost of this outage, it is in the order of \$10 million a year before we pay for the transportation to have the -

Mr O'BYRNE - You said the outage or the maintenance was \$10 million or thereabouts?

Mr DAVY - Yes, that is right.

Mr O'BYRNE - Thank you.

Mr BACON - That was not in the financial year that we are talking about is it?

Mr DAVY - No, that was a specific additional cost. This has just happened. This is from 25 June 2018 to 22 August 2018, the combined cycle.

Mr O'BYRNE - But on average it is around \$10 million?

Mr DAVY - Yes, it is of that order, the operating costs at the site. That is more than maintenance. That is all the people and other ancillary services that are required.

Dr WOODRUFF - Minister, the last financial year was an exceptionally good one in terms of high rainfall and the spot prices were also very high on the mainland of Victoria with the closure of Hazelwood Power Station. The Victorian electricity price was spread at around \$70 a megawatt hour and that provided a return to Hydro of \$60 million across Basslink.

We are currently selling wholesale contracts in Victoria at around \$100 per megawatt hour and renewable energy certificates at \$60 per megawatt hour. Is this the case? The future price for those is expected to drop by early 2020 to \$70 per megawatt hour for electricity and \$20 per megawatt hour for renewable energy certificates. I am not sure if those figures are right. Perhaps you could talk to me about what the last year was for both the average electricity price and the renewable energy certificates, whether the modelling that has been done for 2020 is correct and also where is that going to leave Hydro. It seems like a very large reduction.

Mr BARNETT - Thank you for the question. As you have indicated it is true that we have had a very strong result for this financial year with \$167.9 million profit as the Chair has outlined and is in the report. We have referred to the capital expenditure -

Dr WOODRUFF - Excuse me, Chair, was that \$167 million for Basslink returns?

Mr BARNETT - No, this is for Hydro Tasmania.

Dr WOODRUFF - I was just talking about Basslink.

Mr BARNETT - I will ask the CEO to speak to Basslink but consistent with the guidelines that I have outlined in terms of any arbitration arrangements. The Chair might want to outline how they actually trade on the mainland. I can advise in terms of additional generation created across Basslink.

The net Basslink flows for the financial year to 2018 was 209 gigawatts and in terms of the increase in profit year-on-year, it is due in part to an increase in the hydro generation which is some more than 9 000 gigawatt hours in financial year 2018. That was an increase on the 8 300 gigawatt hours in 2017.

The CEO might want to speak to how you operate on the mainland and deliver returns for Hydro Tasmania and the Tasmanian taxpayer.

Mr DAVY - Sure. The past year has seen some pretty advantageous trading conditions on the mainland for trading electricity, there is no doubt. We are also going through a period where there is very high renewable energy certificate pricing. We have had good inflows over the past 12 months so we have managed to maintain storages well above required levels for energy security and generate a little more than we would in a normal year. As a result of that generation we have also created extra renewable certificates. Our energy is renewable energy so our hydro production as well as our windfarm off-takes have benefitted from the very high renewable energy certificate prices.

Some of the extra revenue that has come through over the last 12 months from those high prices is slightly above normal generation volumes caused by higher inflows will wash out over time. Nonetheless, we expect it to settle back down to a very good, long-term average profitability. We do not want to rely just on price events on the mainland to create good revenue streams. We are working very hard to make sure that our business is as efficient as it can be. We have been containing costs over the past few years. We are looking specifically across the business at how to be as efficient and effective as possible. While we are a commercial business that really takes seriously the need to deliver a good return, we also need to deliver a good return while keeping prices very reasonable for Tasmanians. We are very mindful of that responsibility and work very hard to be as efficient as possible.

Dr WOODRUFF - Through you, minister, what about the figures that I asked you to confirm whether they were in the ball park? A reduction to \$70 a megawatt hour for electricity in 2020 and \$20 a megawatt hour for electricity for renewable energy certificates around that period.

Mr DAVY - Those are fairly consistent with the projections that we are using.

Dr WOODRUFF - That is a devastating reduction.

Mr O'BYRNE - Chair, back to the Tamar Valley gas station. You were essentially forced into arbitration for the new contract. Why were you forced into arbitration?

Mr BARNETT - Are you talking about the gas?

Mr O'BYRNE - Gas, yes.

Mr BARNETT - The gas supply?

Mr O'BYRNE - Yes.

Mr BARNETT - Are you talking about gas transport?

We were pleased with the arbitration outcomes. We think we got a fair and reasonable outcome. The CEO or the Chair can speak to that further. It is a very important process that took place. I commend the former minister for energy, Mr Groom, for taking that to COAG and getting support for bringing it forward and providing the opportunity to take that to arbitration. Under the COAG rules they all supported it, they agreed it and made that possibility available for Hydro Tasmania. Hydro Tasmania took the opportunity and through the arbitration process reached a fair and reasonable outcome. The feedback from customers around Tasmania has been supportive for ensuring an ongoing commercial supply of gas. That is very important for Tasmania. It remains important. The Hydro Tasmania CEO might want to add to that.

Mr DAVY - I do not have a lot more to add but there were two parts to it. There was a gas transportation agreement for customers. We think that through the arbitration process, the customers we supply gas transportation to get a better deal. That is excellent. We also think we got a fair and reasonable deal for the operation of the power station as well. The arbitration process binds us to confidentiality so despite being invited to go into more detail I really cannot add a lot more to what I have just said.

Mr O'BYRNE - How long did the process of forced arbitration take?

Mr EVERY-BURNS - It was only a few months. It was a short time-frame arrangement, which is the change to the national gas law. You used the words 'forced arbitration'. We recommended going to arbitration to avail ourselves of the changes to the law. It was done within a quick time frame and that was the purpose of the changes to the law.

Mr O'BYRNE - How long is the contract?

Mr DAVY - I think that is part of the details that are confidential.

Mr BARNETT - Yes, you cannot refer to confidential information. I will pass to the CEO or the Chair if you want to. That is a matter for Hydro Tasmania.

Mr O'BYRNE - You would know if you are contracting businesses - you are in agreements. People would know what the length of time is. What is the length of time of the agreement you have?

Mr BARNETT - That is not something I can comment on as minister. It is relevant to Hydro Tasmania. Clearly, you have been through a process -

Mr EVERY-BURNS - We have been bound to confidentiality as a result of that. I am a little troubled about whether or not we should go beyond it. I am not sure it has been made public but we are certainly bound to confidentiality in the whole arbitration arrangement.

Ms WHITE - Can you indicate what time frame you are now contracting business customers for? Do you know what their length of time is, or is that part of the confidentiality? Can we put it on notice?

Mr EVERY-BURNS - Steve, do you have a view on this?

Mr DAVY - We are going to check.

Mr O'BYRNE - Can you confirm, do you believe the contract outcome provides good value for the Tasmanian taxpayer?

Mr BARNETT - Hydro Tasmania sought to achieve and succeeded in achieving arbitrated outcome. As an arbitrated outcome, it is fair and reasonable. The feedback we have had from key stakeholders is that they have an ongoing supply of gas. Customer feedback from business and major industrials has been one of acknowledgement and thanks.

Mr O'BYRNE - Is the Government of the view that it presents good value to the Tasmanian taxpayer? That is my question to you.

Mr BARNETT - As I say, it is a matter for Hydro Tasmania. They have ongoing profitability objectives and they have achieved that.

Mr O'BYRNE - Is Hydro Tasmania of that view - that it is good value for the Tasmanian taxpayer?

Mr EVERY-BURNS - We are of the view that it is a good commercial outcome.

Mr O'BYRNE - It is a good commercial outcome?

Mr EVERY-BURNS - Yes.

Dr WOODRUFF - Minister, some right to information documents made available in January 2015 point to the state Government believing that Hydro should look to fully divest itself with Entura because of its poor financial performance at that time. Treasurer Gutwein said -
[TBC]

We also agree that Entura's current business model does not form part of Hydro Tasmania's core business operations and noted the business's long-term financial performance being to the detriment of Hydro Tasmania's overall business.

In this context we agree that Hydro Tasmania should develop options to fully divest Entura with every effort to minimise any ongoing liabilities.

In the current annual report, the Hydro says that Entura will not be going ahead with a joint venture but then has made statements about 'customer bases have grown and changed since the venture was proposed'.

Where are we sitting with Entura? Does Hydro Tasmania have any plans to sell Entura? What does it mean about customer bases having grown and changed since Treasurer Gutwein made that statement?

Mr BARNETT - Entura has made an excellent contribution to Hydro Tasmania in the 2017-18 year. It is seen as a key contributor to the sustainable profitability of Hydro Tasmania. They certainly deliver very experienced and specialist advice in terms of hydro generation and water consulting in Tasmania, on the mainland and overseas. That is acknowledged by the Government. Exactly how the business operates, and on what terms and conditions, is a matter for Hydro Tasmania. I ask the CEO to add to that answer.

Mr DAVY - Thanks, minister. We think the position for Entura is very positive now. The growth in renewable energy development in Australia has led to them being very well employed and doing quite well as a result. There is also a lot of call for their expertise around other parts of the world, so our international efforts are doing well.

We had in-depth discussions with Power China Guangdong and Hydro China International about a proposed joint venture. We decided not to proceed with that joint venture but are still working with the Power China group on specific projects around the world. That relationship is working well but we have not ended up forming that joint venture.

Dr WOODRUFF - Minister, with respect to partnering with Power China, Entura is still partnering with Power China at the Karuma hydro power project Uganda. Some disturbing media reports document the Uganda People's Defence Forces routinely performing security checks on the some 6000 local workers at that project. In June this year a worker was alleged to have been trying to smuggle unauthorised documents out, which led to a riot in which 20 workers were arrested and one was shot dead. There has been a lot of unrest about the activities of the Ugandan government taking over from the previous Norwegian firm which left Uganda and Power China has come into that space. My question, through you, minister, to the chair, regards your statement that Entura is an excellent contributor here and overseas. Do you think it is appropriate for a Tasmanian state-owned company to be involved with a project that has what appears to be very serious human rights violations?

Mr BARNETT - Thank you. I will ask the CEO to respond on operational matters.

Mr DAVY - We go through a very rigorous filtering process before we get involved in any project. We take seriously the local conditions. Our first concern is for the safety of our people, so we make sure we are not putting them into unsafe environments. We would not have got involved with such a project without thoroughly looking into the conditions we would be putting our people into. We also want to make sure we are involved in projects that do not detract from the high regard Entura, Hydro Tasmania and the state of Tasmania are under around the world.

Dr WOODRUFF - Have you ordered an investigation into these reports? Do you know, for example, how many workers have died at the Karuma hydro power project since Entura started its involvement with Power China?

Mr DAVY - These are important issues and I will be looking into them.

Dr WOODRUFF - Did you have any awareness of what was happening in Uganda?

Mr DAVY - I am aware of the contribution our people are making to the project.

UNCORRECTED PROOF ISSUE

Dr WOODRUFF - No, our involvement in that Power China company and the health and safety conditions they submit their 6000 employees to, including being regularly frisked every day as they walk into the company, and people dying on the project?

Mr BARNETT - Chair, can I caution the member for Franklin? She is making certain remarks and references. I am not sure whether she is referring to newspaper stories or stories off the internet or simply other information that may or may not be factual. The CEO has referred to the importance of the safety of Entura employees, but you might want to add further.

Mr DAVY - I will repeat what I said. Now that you have raised these issues with me, I will certainly be looking into them.

Mr HIDDING - Is it a consideration of yours that Entura's involvement in these projects bring power, electricity and the dignity of those things to desperately poor nations? Clearly Uganda desperately needs this power. A test you apply would not just be certain matters, as the Greens would have us, because there is a certain nation involved in this thing here that fascinates this party and they continue to -

Dr WOODRUFF - Uganda?

Mr HIDDING - No, China.

Dr WOODRUFF - We are talking about Uganda.

Mr HIDDING - You continue to push your xenophobic views in this place.

Dr WOODRUFF - We are talking about Uganda.

Mr HIDDING - The people of Uganda definitely would benefit.

Mr BARNETT - I will ask the CEO to respond as well, but as a government we are pleased that a government business enterprise such as Hydro has the expertise and specialist skills in hydro generation and accessing water, and those skills can be used not just in Tasmania and on the mainland but overseas under appropriate terms and conditions. The CEO has indicated he will certainly follow up with respect to the concerns raised by the member for Franklin. We are pleased and proud of the work they do in delivering economic development, growth, jobs and opportunities for people all around the world, particularly in the area of access to water in terms of renewable energy. Tasmania is a renewable energy powerhouse around Australia and indeed around the world. Having that expertise, making it available to the rest of the world to lift people out of poverty and inappropriate circumstances, to be able to play a part in that regard is something of which we are very proud.

Mr DAVY - There were two parts to the answer. Regarding small communities and remote power, we have a lot of technology we have developed on King Island and Flinders Island which we are now helping to deploy in countries in the South Pacific and Southeast Asia to help smaller communities get the benefit of electricity. That is one part of what Entura are doing that we are very proud of. The second part is on the large scale, making sure that hydro development is done effectively but also sensitively to the needs of the local society. Entura has worked with the International Hydropower Association to develop sustainability guidelines for large-scale hydro power development, particularly in developing countries, and that is the kind of development that

generally Entura have been associated with. As you say, they have helped lift communities and nations out of energy poverty and the people at Entura and Hydro Tasmania are proud of the work we do to help those communities.

Mr HIDDING - There have been some exciting awards presented to Entura that you ought to be very proud of, and I am sure they are as well. Could you inform the committee of those? They are awards for electrical engineering that went to Hydro employees and Entura.

Mr BARNETT - Yes. That is an important point because we can be proud of what they do and the work they undertake. Entura has received the Kidston Pumped Storage Hydro Project award. They have a consulting arm and they did that work in far north Queensland. They also have the hybrid renewable energy power system on the North Pacific island of Yap in the Federated State of Micronesia, and I have a colleague and friend who visits there from time to time. We are pleased of that effort. There are a number of other awards in terms of engineering excellence, and we have to remember it is not just mechanical, electrical, civil engineering, it is across the board and this is something that Tasmania does very well. Hydro Tasmania does it well.

There are two engineers from Hydro Tasmania's engineering and consulting arm, Entura, who received top accolades in the Engineering Excellence Awards and they should be recognised. Donald Vaughn, principal consultant for electrical primary systems, was named Professional Engineer of the Year, and engineer Lyndon Johnson won the Young Professional Engineer of the Year award. These are outstanding people, part of the Entura system, part of the Hydro Tasmania family and they should be congratulated.

Mr O'BYRNE - Minister, given how well Entura is doing and the accolades you are showering them with, in hindsight was it a mistake to embark on a sale?

Mr BARNETT - I'm not sure how you characterise the comments back in 2015 of the Treasurer - if that is what you're referring to. What I can say as the Minister for Energy is that it plays an important role within Hydro Tasmania. They are contributing not just to the bottom line, but to the areas of expertise in hydro generation, water, services and the like. They are competent, capable people. I have met and know Tammy Chu in the leadership role, and other members of the team I've met and am aware of.

Mr O'BYRNE - In hindsight it was probably not the smartest move?

Mr BARNETT - If you are asking in terms of current plans there are no current plans.

Mr O'BYRNE - Current?

Mr BARNETT - If that is what you are asking there are no plans at this time with respect to Entura.

Mr DAVY - If I could also add there was never any suggestion of a sale of Entura. We embarked on investigating a joint venture with Power China, but there was no process initiated or consideration of a sale of Entura.

Mr O'BYRNE - Did they walk away from that process of investigation on the basis that they couldn't have majority control?

UNCORRECTED PROOF ISSUE

Mr BARNETT - I think the member opposite, Mr O'Byrne, has mischaracterised -

Mr HIDDING - He was on gardening leave himself at the time.

Mr BARNETT - Gardening leave at the time.

Mr O'BYRNE - No, I was working in the not-for-profit sector.

Mr BARNETT - You are referring to comments by the Treasurer at the time and I think it is a mischaracterisation of those remarks, if I can make that very clear. With respect to the joint venture, they have an ongoing relationship; they are working together around the globe and the CEO can speak more about that. In terms of that relationship directly, no that is not proceeding, but the relationship generally in terms of partnering with them on special projects from time-to-time is definitely continuing.

Mr O'BYRNE - Over the last six or so months you have done a lot of media around Hydro and Battery of the Nation. You are always on the news and your old mate Mr Whiteley was there at one of the press conferences. Hopefully you can dispel a rumour that is going around about a press conference that you did at Lake Cethana and Lake Barrington. We understand that Hydro filled those dams, the lakes and then it rained on the day and the lakes went into spill. Can you confirm this actually happened? It's a strong rumour going around that for a media stunt you filled the lakes, then it rained and then it spilled.

Mr HIDDING - There was cloud seeding going on at the time.

Mr O'BYRNE - Is it true that those lakes were filled for a media conference, then it rained and then it spilled costing thousands of dollars?

Mr HIDDING - More long bows than the Battle of Agincourt.

Mr BARNETT - That's one of the most fun, bizarre and interesting questions I've had in all of my parliamentary career. I've never heard of such a thing.

Mr BACON - You need to get out more.

Mr BARNETT - What is very clear is that not just members around this table, but members of the Hodgman Liberal Government are very keen to support our renewable energy developments at Lake Cethana or anywhere else. At Lake Cethana, I've been there on a number of occasions, but on one of those occasions -

Mr O'BYRNE - With Mr Frydenberg?

Mr BARNETT - With Mr Frydenberg -

Mr O'BYRNE - That's right.

Mr BARNETT - the then federal minister for energy, now federal Treasurer. He was very supportive of our renewable energy capacities here in Tasmania and, indeed, pumped hydro and spoke glowingly accordingly with respect to our prospects going forward.

Mr O'BYRNE - You would want nothing less.

Mr BARNETT - I will always try to advance Tasmania's interests and it was a great day.

Mr O'BYRNE - Was it raining?

Mr BARNETT - With respect to the allegations that you make I think they are spurious. I think they are bizarre, but they are noted.

Mr O'BYRNE - No, I want an answer. Did that happen? We are having a bit of a laugh and a joke, but this is serious for a media event to fill up those lakes, it rains, and they spill over the top. I'm asking, did that happen?

Mr BARNETT - I must be enormously powerful and influential to be able to make that happen. The answer is no.

Mr O'BYRNE - It didn't happen that those lakes didn't spill because for a media event they were filled up?

CHAIR - Order, order. I'm sure the minister does not have control and cannot order the rain when he wishes.

Mr O'BYRNE - That is not the point, Chair. He knows the point.

Mr BARNETT - I can assure you I did not order the rain. I have no capacity to do so and nor did I have any influence over Hydro Tasmania to cause a spill, or to increase the levels in the dam. This is a wonderful conspiracy theory you have, Mr O'Byrne. It is one of the more fanciful ones I have heard in all of my parliamentary career and it is really good. You have made my day. It is an absolute ripper. You have come up with an absolute ripper. It is terrific. Well done on a very imaginative conspiracy theory.

Mr O'BYRNE - Could Hydro answer the question please?

Mr BARNETT - I am happy for the CEO to respond.

Mr DAVY - I have never heard that assertion before I must admit. I am not aware of any instructions by anybody. I am not aware of anything like that, no.

Mr BARNETT - Where did you get that one though? Come on, seriously.

Mr O'BYRNE - We get three hours a year to ask these questions and get this sorted out.

Mr BARNETT - You have had a ripper of a question in that one.

CHAIR - Order, unfortunately, minister, you do not get to ask questions on that side.

Mr O'BYRNE - That is right. Just for the record, you are denying that did not happen. Excellent.

UNCORRECTED PROOF ISSUE

Mr BARNETT - It is worth a response. I would like to know where it came from. I am still getting over that last question. It was a ripper.

Dr WOODRUFF - I am responding in part to the Liberal member, Mr Hidding's comments about the value of providing power to desperate nations and giving them dignity through the production of electricity. You also said that the people of Uganda would benefit. With respect, Mr Hidding, those sound like very colonial comments.

The question relates to whether the people were asked. Minister, for the record I do access international news. As I said, these are alleged things that are happening in Uganda but we do need to find out what is going on. It does seem apparent that the Norwegian company that started the project in 1990 walked out of Uganda; they had a disagreement, a conflict with the World Bank. It has then gone to a process over the years where it hit a snag in 2010 and that snag was because of the fact that residents in the area of the proposed site were not informed about the pre-feasibility studies, the drilling. It was undertaken without their consent. There are issues that have happened in the years since about resettlement.

CHAIR - Order, Dr Woodruff. Can you bring it back to a question that actually relates to Hydro Tasmania?

Dr WOODRUFF - It relates to the comment - and I accept that the CEO does not have information about these things that have happened now - but the CEO also mentioned that feasibility studies were done and due diligence I think, I am not sure if that was right word, was done on going into there in the first place. There is a long history with this dam, well before Entura got involved. There is at least a 20-year history and it is peppered with conflicts, court cases, court injunctions -

CHAIR - Can we get to the question please, Dr Woodruff.

Dr WOODRUFF - resettlement complaints, the lack of insurance that has been underwritten by the Ugandan government, huge holes and risks for that country and the people in the area. What sort of feasibility is really being undertaken when Entura goes into these sorts of projects overseas?

Mr BARNETT - It is a very long and lengthy speech and question at the end. The first point, I want to confirm again my understanding that the Greens have never supported a major renewable energy development in Tasmania.

Dr WOODRUFF - Not true for the record. Not true.

Mr BARNETT - Indeed, anywhere. Opposes hydro development and wind development. We have world class hydro, we have world-class wind and you -

Dr WOODRUFF - Minister, I know you are desperately trying to avoid this question.

Mr BARNETT - continually oppose. Having said that the CEO has indicated that he would follow up on the concerns that you raised earlier. I support that effort and am interested in the CEO's response, whether he can provide it now or in due course, I do not know. Any important concerns that are raised we will note those and I look forward to hearing from the CEO.

Mr DAVY - In relation to the specific concerns about the Ugandan project, I will look into those. We have a rigorous filtering process in terms of which projects we get involved in; that is

true. That applies to the work that is happening and the ongoing work on the project. The paramount thing is the safety of our people.

The first question is, 'Can our people work safely in the area?' That filtering process was applied in this particular case. We would have evaluated the work that was happening at the time and what we envisaged happening in the future and its being done in a positive way before agreeing to become involved in the project.

Dr WOODRUFF - Through you, minister, do you think that sort of due diligence on behalf of Tasmanians should be whether there are human rights abuses at all, or any incorrect, unjust activities that are being undertaken by the company we go into joint venture with?

Mr DAVY - Yes, the review should include societal impacts of the project itself.

Dr WOODRUFF - Through you, minister, do you accept that due diligence has not been done on this Ugandan project.

Mr DAVY - Due diligence would have been done.

Dr WOODRUFF - But it did not raise that 23-year history. There is a huge history here.

CHAIR - Again, Dr Woodruff you are getting into statements.

Dr WOODRUFF - I am trying to understand how a project that started in the 1990s and has been peppered with a whole range of court issues and clear breaches of natural justice for the surrounding indigenous communities, how it got to a point where Hydro has undertaken an investment in that country with that company.

Mr DAVY - We have not taken an investment.

Dr WOODRUFF - Gone into a joint venture arrangement.

Mr BARNETT - Chair, through you, in answer to the member's question, what the Greens consider an abuse of natural justice may be something totally different from what somebody else may consider. The Greens are a very extreme organisation with extreme views -

Dr WOODRUFF - We are talking about allegations of deaths, minister, resettlement of populations against their will.

Mr BARNETT - The CEO has indicated on the record that he will follow up. As a government we are interested in the research he is undertaking and the follow up that will be made. The CEO has advised that due diligence has been undertaken and will report back.

Dr WOODRUFF - I don't accept that.

CHAIR - Order, Dr Woodruff.

Mr O'BYRNE - When were Lake Cethana and Lake Barrington last filled? When did they last spill?

Mr BARNETT - You are asking me as minister to know when they were last filled and when they were last spilled.

Mr O'BYRNE - You have a couple of people next to you whom you could ask.

Mr BARNETT - I will pass to the CEO to check if he has that information at the ready but I am more than happy to respond.

Mr DAVY - I simply do not know the answers to those questions. Most of our lakes fill and spill a number of times in the annual cycle.

Mr O'BYRNE - Could you update the committee on that? Or put a question on notice? Is that possible?

Mr DAVY - Yes. That would probably be the most efficient way of dealing with it.

Mr BARNETT - I am more than happy to assist.

Mr O'BYRNE - Minister, you made a commitment to bring 100 jobs back to Tasmania from Victoria via Momentum Energy? How is that going? How many jobs have come back and been created in Tasmania?

Mr BARNETT - Momentum was a policy commitment we made during the election. Together with many other reasons, it is another reason we got a mandate of over 50 per cent of the vote. Tasmanians sent a message. I was with the Premier at Lake Gordon to announce our Tasmania First energy policy bill, of which I am very proud. We asked Hydro Tasmania to identify a location within 12 months, by March 2019, for the relocation of the Momentum Energy call centre, with the relocation of relevant staff over the course of the term of government from March for the four-year term. I receive advice from Hydro from time to time. I can confirm that Hydro Tasmania is working with the Government to meet those objectives.

Mr O'BYRNE - Could you update the progress?

Mr BARNETT - That is an initial update. I will see if the CEO has anything further to add.

Mr DAVY - We are on track to deliver to those timelines.

Mr O'BYRNE - How many jobs have already come back to Tasmania?

Mr DAVY - We have in excess of 20 employees at the Momentum call centre at our Entura office in Cambridge.

Mr O'BYRNE - Is that a net loss from Victoria? My understanding was that the commitment was to bring 100 jobs back to Tasmania. You have 20 at the moment. Is that increasing and what is the target?

Mr BARNETT - If I can clarify, I think you are mischaracterising the commitment we made prior to the election, which we stand by, and which I have outlined for this committee. The 20 the CEO is referring to are the existing staff at the Cambridge centre in southern Tasmania. I had a specific number in the release and I can check that for you.

Mr O'BYRNE - My understanding was there was 100 and there were 100 jobs coming back to Tasmania.

Mr BARNETT - No, it was fewer than that. I can check the exact number for you and let you know. The commitment was for the call centre staff. There is a process that needs to be gone through. Advice will be made public prior to March 2019, or before, when we will make it clear as to where people will be relocated to in due course over the term of the Government. That was our commitment and we will deliver on it.

Mr O'BYRNE - The 20 you have there are the current employees? You are yet to have jobs from the Victorian call centre to increase the level of jobs in the Tasmanian call centre, is that right? There are 20 existing, and you are still going through the process of transferring those Melbourne jobs, is that right?

Mr DAVY - The policy was to embark on that activity over the course of the term. The initial planning phase is what we are completing at the moment.

Mr O'BYRNE - At this stage there is not one job that has come back as yet, but you are saying that it is your intention to continue that and you will update us?

Mr DAVY - Yes.

Mr O'BYRNE - Can I confirm that there has not been a job yet?

Mr DAVY - I am not sure what the change in the employee number at the Momentum call centre at Cambridge has been over the past few months. I do not have those numbers to hand.

Mr BARNETT - We can check that for you.

Ms WHITE - Will you continue to operate the Victorian call centre?

Mr DAVY - As I understand it, the policy position was that the call centre operations would be relocated from Melbourne to Tasmania.

Ms WHITE - You will not have a call centre for Momentum in operation at all in Victoria.

Mr BARNETT - Sorry, I missed your point. Say it again.

Mr DAVY - The policy position was to transfer the call centre activity from Melbourne to Tasmania. There was a subsequent question: will there be any call centre operation in Victoria after that is completed. I am happy to answer that.

Mr BARNETT - Yes, you go ahead.

Mr DAVY - The intention is no. The intention is that the call centre operations for Momentum at the end of the current term would be in Tasmania.

Mr O'BYRNE - The election was in March and we are now in December. What is taking so long?

Mr BARNETT - With the greatest respect, we made a commitment to identify the site by March 2019. We are currently in December 2018; that commitment will be made. Hydro has a range of operational matters it has to work through; discussing and working with relevant staff and putting in place operational arrangement and mechanisms needed to meet the objectives.

The Government has made an objective. We want, wherever possible, jobs in Tasmania. Our Government is pro job. We are into jobs. We have created more than 15 000 jobs since we were first elected. Now we have over 250 000 in work in Tasmania, thanks to economic growth objectives of the Hodgman Liberal Government.

Mr O'BYRNE - You have an existing site to fit out; you do not have to build a new building, do you? Call centres have a high level of turnover, so the capacity to get people moving down or even creating jobs in Tasmania is not a huge ask. Why is it taking so long? You have not created a job.

Mr BARNETT - It is not taking 'so long'. It is happening in accordance with our objective to identify the site by March 2019 and for this to occur over the course of the four-year term of government. That was our commitment, that was our promise and we are delivering. We are on track. We are creating jobs, unlike the 10 000 jobs that were lost under the Labor-Greens government, Mr O'Byrne.

Mr O'BYRNE - You could not recall the commitment earlier.

Mr BARNETT - Rubbish, you're making things up. You're into conspiracy theories again.

Mr O'BYRNE - If I can follow up, Hydro Tasmania is operating under a letter of comfort from the Government. Given the performance as indicated, why is that letter of comfort required?

Mr EVERY-BURNS - The letter of comfort is a requirement of Tascorp. We operate under that and the board's view has been that we would like to lift ourselves out from that in a progressive manner. To do it as quickly as possible is not possible in a way. We have been progressively working through that, which moves the debt reduction. The calculations, I think, are based on revenue, debt, et cetera, and our desire is to go back to a non-letter of comfort, which means a lower guarantee fee will be paid by the company, which we think is the best way to operate. We have been progressively trying to do that.

Mr O'BYRNE - What is your strategy to remove that letter of comfort? I suppose one of the challenges you have is that the Government is demanding significant dividends from Hydro Tasmania. Is that impacting on your ability to remove that letter of comfort because it is essentially about your debt levels, isn't it?

Mr EVERY-BURNS - Some of these questions are highly political, which I'd prefer not to be in the middle of, and others are business related. What we do to pay down debt is a business issue and the issue of Treasury's request for 90 per cent dividends are all quite unrelated to what the board has to consider. The board has recently considered and recommended an \$80 million dividend, which is not 90 per cent dividend; it was what the board and I believed we had the capacity to pay given that we wanted to continue to reduce debt and ultimately want to get to a point of not requiring a letter of comfort.

Mr O'BYRNE - When do you believe that letter of comfort will no longer be required?

Mr EVERY-BURNS - In the next couple of years.

Mr BARNETT - To clarify things, net debt at 30 June 2018 was \$703 million, a \$35 million decrease compared to 30 June 2017. Net debt has continued to decrease and is \$124 million lower than net debt of 30 June 2016, so we are all heading in the right direction in that regard in terms of those debt levels. These are usual government and GBE relationships -

Mr O'BYRNE - But a letter of comfort is a certain level -

CHAIR - Order.

Mr BARNETT - You are interrupting. These are usual business practices imposed and put in place by the Treasurer based on advice from Treasury to ensure those practices proceed accordingly. The chair has outlined that quite sensibly and fairly and the Treasurer puts those things in place based on advice from Tascorp and Treasury and the position this year, as we have indicated, is a very strong financial result we are pleased with.

Dr WOODRUFF - Minister, I want to rephrase what I was saying before about what I understand Entura's relationship is with Power China. Power China and Entura are in a joint venture together as consultants to Sinohydro, which is building this dam in Uganda. It seems pretty clear that there is allegations of unsafe working conditions and deaths at that construction mine and a whole range of serious accidents that have been occurring there. Minister, do you feel that the human rights and safety of a Ugandan worker is equivalent to those of a Tasmanian worker?

Mr BARNETT - I certainly believe that human rights are very important but I'm just concerned that the Greens' view of natural justice or human rights may be different to somebody else's view. On behalf of the Government we are very concerned wherever people's lives are at risk or safety is at risk or where deaths occur. Every member of parliament I would hope is concerned, but the CEO has provided a commitment to get back to you and the committee as soon as possible. That is right and proper and am looking forward to that. He has also indicated that due diligence does and has occurred in this case and we look forward to further advice from the CEO.

Dr WOODRUFF - As the responsible minister for Hydro and public finances Hydro manages on our behalf, you would be concerned to find, if this proves to the case, that human rights abuses, deaths and accidents are occurring in a place where Tasmania is investing its resources with the company.

Mr BARNETT - I've made it very clear what the Government's position is. We're looking forward to hearing back from the CEO with respect to the report on that matter.

Dr WOODRUFF - You haven't made it clear with respect to my answer about human rights violations and whether you consider them -

CHAIR - Order, Dr Woodruff. I have given you a lot of leniency around this question. The CEO has committed to investigating and following up the issue. As I indicated earlier, we need to be talking about the performance of Hydro and particularly their annual report, and this is well outside that.

UNCORRECTED PROOF ISSUE

Mr BARNETT - Mr Chair, can I interpose? The CEO now has a response to -

Mr O'BYRNE - Well, I have the call.

Mr BARNETT - Yes, absolutely no issue with that, but I am just advising that the CEO has a response to a number of questions you asked earlier. If Dr Woodruff would like to hear the response from the CEO now that would be good, otherwise she can leave it until later.

Mr DAVY - First off, the terms of the gas transportation agreements for customers and the one for the Tamar Valley Power Station is four years commencing at the start of 2018.

Mr O'BYRNE - Thank you.

Mr DAVY - There are 26 employees on site at Tamar Valley Power Station. Two of those employees received redundancy packages back in 2015, I would imagine. Lake Barrington is on spill presently and Lake Cethana last spilt on 3 and 4 December, so it's a relatively frequent occurrence.

Mr O'BYRNE - We've had a bit of rain, back in May though.

My question is around the price cap. Is it correct that the financial burden of the 2 per cent power price cap for retail customers falls onto Hydro rather than the other energy -

Mr BARNETT - Sorry, could you repeat the question?

Mr O'BYRNE - I am just trying to clarify where the responsibility falls in terms of the burden for the 2 per cent power price rise cap for retail customers. My understanding is that Hydro will carry that cost as opposed to other energy businesses - is that right?

Mr BARNETT - This is imposed by Treasury in terms of the price cap and it has been occurring for the last two years and will continue to occur this year and going forward. Then there will be the delinking in 2020-21. You previously asked about this in Estimates.

Mr O'BYRNE - I think you told me to ask it here.

Mr BARNETT - More than happy to do so. I will just see if the CEO has the specific answer to your question.

Mr DAVY - I do. For the year 2017-18, the year the annual report refers to, the difference between the previous methodology for calculating what is called the wholesale energy price - the price that goes into the regulated tariff - and the actual WEP order price was a difference in revenue for Hydro Tasmania of \$33 million. For the year we're in now the difference is in the order of \$40 million. The difference in how the previous methodology would have calculated pricing as opposed to the application instrument is \$40 million.

Mr O'BYRNE - It is a 100-page document. I could not really find out where there that figure is identified in your annual report. Could you point to me where that is identified?

UNCORRECTED PROOF ISSUE

Mr DAVY - It does not need to be identified in our annual report because it is not the kind of intervention from the Government that we would report on. The number that the Government has decided is the price and so it just flows through to our revenue line.

Mr O'BYRNE - In terms of the Government making that decision, the public interest in these matters is intense in terms of price rises, et cetera. It is very important that when we assess this policy initiative by the Government that we fully understand the cost and the implication.

Mr BARNETT - We are more than happy to answer your questions, as we did earlier in the year.

Mr O'BYRNE - Would it be appropriate then to also report on that more regularly and openly about the impact of that policy for the Tasmanian community?

Mr BARNETT - You have the opportunity to ask me in the parliament, Mr O'Byrne, from time to time. I love to get a question on energy from the Opposition because it is very rare indeed and I am very keen to get questions from the Opposition. They are very reticent about asking me questions. In fact, I still have not had one on agriculture from the Opposition.

Members interjecting.

CHAIR - Order. I need to just make you aware that *Hansard* has a lot of difficulty in trying to separate who is saying what when we are interjecting on each other. If you would not mind, please.

Mr O'BYRNE - Minister, how was Hydro Tasmania directed to implement a price cap given the legislation was not in place for 2018-19 until well into the financial year? How was this directed?

Mr BARNETT - I don't think that is correct. That is a misunderstanding or mischaracterisation of the legislation. The legislation has been in place and it has operated accordingly for the last two financial years and going forward as well. The legislation does apply, it has applied, it will continue to apply the CPI cap. It is the Treasurer's legislation, not my legislation. It is something I support as a government minister and we are very pleased to have the lowest regulated electricity prices in Australia and it is well noted and we are very thankful for it.

Mr O'BYRNE - Which ministerial charter is Hydro operating under? Is there a new one? I know that there has been discussion about this for quite some time. There is the 2012 charter by a previous government. Has a new charter been put in place?

Mr BARNETT - We can check the date for you.

Mr O'BYRNE - So there is a new charter?

Mr DAVY - We will get back to you. I don't have the answer to that question off the top of my head.

Mr O'BYRNE - You don't know that you are under a ministerial charter?

Mr DAVY - We are definitely under a ministerial charter but I am not -

Mr O'BYRNE - Which one? Is there a new one?

Mr BARNETT - We will give you the date. We will let you know.

Mr O'BYRNE - Okay. Is the price cap consistent with that ministerial charter?

Mr DAVY - It is the 2012 ministerial charter.

Mr O'BYRNE - So you are still under the 2012 ministerial charter.

Dr WOODRUFF - Minister, the energy crisis from December 2015 going well into 2016 was the result of three things coming together. The first was the failure to take account of the El Nino-driven severe drought which occurred in Tasmania that was forecast up to 18 months in advance by international and then Australian weather agencies. The second one was Hydro's decision to continue to trade electricity down to unsustainably low water levels given the context of the climate, and the third one was the failure of the cable itself. I am not interested in going back and looking at that situation.

What I would like to hear from you, or from the Chair, is that given those decisions about risk management has cost Tasmania hundreds of millions of dollars and that they all could have been predicted and managed to some extent, what is happening now? What has Hydro done since then? I just want to say yes, minister, you have bought in and we have passed some legislation to provide a formal statutory mechanism for setting energy security water levels. What has happened in terms of Hydro's response to climate, climate forecasting, the risk management of climate and its relationship to the water storage levels?

Mr BARNETT - Thanks very much for a very lengthy commentary on the 2015 challenges we had with respect to energy and then the question at the end.

With respect to the energy challenges in 2015-16, yes, a perfect storm. The Government kept the lights on, kept the power being supplied - and I commend the former minister for energy, Matthew Groom. It was contrary to the advice of the Opposition at the time to support power rationing. That did not occur. The lights were kept on and we kept the prices down unlike the 65 per cent increase under the former Labor and Labor-Greens governments.

Dr WOODRUFF - We have just established it was because of mismanagement that you had to do that.

Mr BARNETT - It is fair to say there was a perfect storm. What we have done since then is put in place, in fact under the former minister for energy, the Energy Security Taskforce report and recommendations, led by Geoff Willis. I thank him for his service and his efforts. Those recommendations have been taken on board, implemented and you have correctly noted the legislation that went through the parliament just in the last week or so to put in place an assessor and monitor so that we can be sure, and Tasmanians can be sure, that energy security is a top priority for our Government.

You asked the question about climate change and I know the CEO can respond to that but it was in the context of water levels. I can say on Monday this week 43.5 per cent water levels are at a very healthy level. We are very pleased as to where they are, above the higher reliability level and

the prudent storage levels. We are in a good position for this time of the year. With respect to the water levels and climate change perhaps the CEO might want to add some comments.

Mr DAVY - First off, I do not accept that the energy situation was created by mismanagement. It was a combination of a very dry spring and a long Basslink outage that took almost six months to repair.

Working with the Energy Security Taskforce we have come up with a different metric by which to manage storages, and we have established a trace of high reliability lines and prudent water management lines so we can be referencing current storage levels to that. We are well above the prudent water management lines at the moment. We revised those volumes of water in storage up to take account of the fact that a future Basslink outage could take up to six months to repair, also taking into account the higher variability of inflows that we are seeing.

The other part of your part of your question was, what we are doing to understand, to improve our seasonal forecasting and to understand better what climate science can tell us about the future variability of our inflows. We have embarked on a number of studies with partners at CSIRO, the Bureau of Meteorology and the university to better understand and to support specific research that helps us understand that. There are a number of initiatives underway to better understand it.

Dr WOODRUFF - Through you, minister, I know that in 2007 Hydro did an assessment of catchment inflows and downgraded the overall projections for Hydro's electricity generation capacity by 10 per cent. That is 11 years ago. What climate change modelling have you done for the next 50 years and what is it telling you about changes in water catchment inflows across Tasmania?

Mr DAVY - We have done a number of studies over the past few years. The biggest forward-looking study that we did a few years ago was the climate futures analysis which was based on the climate science available at the time. What it said was that while rainfall in Tasmania and rainflows into our system would not be affected too much in their overall average quantities by climate change, the variability would change. Some areas would get slightly drier and other areas of Tasmania would get slightly wetter.

Our down-rating of the system was more related to our view of the history. By using historical observations comparing the 100-year record with the record over the past few decades, we decided we could no longer rely on 10 000-plus gigawatt hours a year of inflows and we down-rated a number of times. We have settled on 9000 gigawatt hours as being the long-term average, based on -

Dr WOODRUFF - Hind-casting.

Mr DAVY - Exactly right. This is just using the benefit of the more recent years being lower than the long-term history.

In terms of the long-term projections, we are still working with our research partners. At the moment there is nothing yet to indicate we should be thinking about de-rating our system again based on any evidence of the models out there. We are continuing to challenge the research and models out there to see whether there is something there that we can use. The bureau, for example, has released a much finer-scale seasonal forecast for all of Australia and that provides, they claim, a much more reliable seasonal forecast. We have been tracking that since about August and so far

it has been much more accurate than the previous seasonable forecast for inflows in Tasmania but it has only been a few months. The technology is definitely improving but there is a lot going on in terms of understanding the impacts of global warming on ocean temperatures and weather patterns in Tasmania and we are following it very closely and contributing to research where it can help us directly.

Dr WOODRUFF - The Battery of the Nation work, which is this massive investment, is reliant on water and the changing distribution of water. Have you been doing work specifically about which parts of Tasmania will have more and less, because there are proposed projected changes over the next 50 years?

Mr DAVY - That modelling would be important but we have not seen new models that really change our view in any concrete way yet. The important thing about the Battery of the Nation view is that pumped storage does not rely on rainfall. Pumped storage is cycling water back and forth and up and down. A much higher footprint of wind farms in Tasmania would change our generation mix to be more wind in the mix for Tasmania so we would be reliant on the combination of what the wind and the rain does and there would be some diversifications. There would be an oversupply and a diversification of fuel choices. In general, it would improve climate resilience in Tasmania.

Mr O'BYRNE - Thank you for putting those answers on record around Lake Cethana and Lake Barrington. To be more specific about my question, were they filled prior to a media event with federal minister, Josh Frydenberg, in early June of this year and did they spill subsequent to that?

Mr BARNETT - I can check with the CEO but this is the conspiracy theory hard at work.

Mr BACON - It is a question. I don't know why you can't answer the question.

Mr BARNETT - It really is bizarre. It is an absolute ripper. I haven't heard one like this before.

Mr BACON - Say it's not true then.

CHAIR - Order, Mr Bacon.

Mr BARNETT - It is incredible that you would be asking these questions in GBE scrutiny.

Mr O'BYRNE - It is taxpayer dollars you have wasted for a media stunt. You pulled a stunt for the media.

Mr BARNETT - I responded earlier and made it very clear what my position is.

Mr BACON - What is that?

Mr O'BYRNE - You said you can't make it rain - well, hello?

Mr BARNETT - The good Lord is responsible for that, in my personal view. In terms of influence and instructions or giving advice to the CEO or anybody else in Hydro to either fill the dam or spill the dam, I had nothing whatsoever to do with it. You have made it up. It is a conspiracy theory and a kooky one. It is even worse than the Greens.

Mr O'BYRNE - Did it happen or did it not happen?

Mr BARNETT - For goodness sake.

Mr BACON - How would he know if it was done? He was there with Mr Whiteley on the day.

Mr BARNETT - It was a proud day. It was a special day, highlighting the importance of Battery of the Nation. You should be more positive about pumped Hydro delivering billions and jobs for Tasmania.

Mr O'BYRNE - All the water spilled over the top and cost taxpayers dollars because you wanted a media event.

Mr BARNETT - For goodness sake, you are making this up. Is the best you can come up with, seriously?

Mr O'BYRNE - You haven't even been briefed on legislation that will tell you to sell the Hydro. How about that?

Mr BARNETT - Come on.

Mr O'BYRNE - Did it happen?

Mr BARNETT - I have answered the question.

Mr HIDDING - The CEO of Hydro is going to -

Mr O'BYRNE - This is not a protection ring; he is the minister. If he can't answer the question the CEO -

Mr BARNETT - The CEO has already responded to your first question and we will get back to you on the second question.

Mr O'BYRNE - Can we take that on notice?

Mr BARNETT - Absolutely, no issues.

Mr DAVY - I am certainly unaware of any such move but I will find out whether anything like that occurred.

Mr O'BYRNE - Thank you very much.

Mr DAVY - I would be very surprised.

Mr O'BYRNE - In terms of the price cap and the ministerial charter, they do not appear to be consistent. Can you talk us through the decision around the price cap and how that fits within the ministerial charter?

Mr BARNETT - You have raised eyebrows with respect to the current ministerial charter which is dated 2012. The latest ministerial charter is in draft and is being worked through. Treasury has a good deal to do with ministerial charter so they are reviewing it in the context of other charters across government and government agencies -

Mr O'BYRNE - The last was in 2012.

Mr BARNETT - Yes, and I am saying the next one is not far away. It is being reviewed by Treasury.

Mr O'BYRNE - Can you indicate to the committee when it will be?

Mr BARNETT - I cannot give you a specific date but I am happy to advise it is in the final stages of review and consideration. It will be considered by Government and made available to the public, yourself and anybody else who would like to look at or read it in due course, once it is considered, reviewed and released by Government. With respect to the price cap, that is a government policy. We made it very clear it is part of Tasmania First because we are concerned about the cost of living, cost of doing business, and keeping our electricity prices as low as possible. We are delivering and we have an object by 2022 to have the lowest regulated electricity prices in the nation. You should be saying congratulations, well done, state government on achieving that for and on behalf of the people of Tasmania.

Mr O'BYRNE - Minister, does Hydro Tasmania operate under the Government's 2 per cent wages cap?

Mr BARNETT - Hydro Tasmania follows guidelines set by the Treasurer and Treasury.

Mr O'BYRNE - Are they operating at the moment under a 2 per cent wages cap?

Mr BARNETT - I said they follow the guidelines that are released by the state Government and the Treasurer. I am happy for the CEO to respond to that further.

Mr O'BYRNE - What was the last wage rise Hydro Tasmania employees received?

Mr BARNETT - I would have to pass that to the CEO. It is an operational matter.

Mr DAVY - We have a number of different agreements under which employees are remunerated across Hydro Tasmania. The executive group, which is all the staff that are not subject to an enterprise agreement in Tasmania, received on average a wage rise that was consistent with that 2 per cent state policy. The two enterprise agreements we have in place for Entura and Hydro Tasmania received wage increases that were CPI-based.

Mr O'BYRNE - So 2.7?

Mr DAVY - In the order of 2 or 2.1 per cent generally.

Mr O'BYRNE - What about the executive group?

Mr DAVY - That was about 2 per cent on average.

UNCORRECTED PROOF ISSUE

Mr O'BYRNE - What was the highest percentage increase anyone in the executive group received?

Mr DAVY - That would vary because we need to pay the market to people and when people are starting off in their roles they will start towards the bottom of the market range and as they develop in those roles we will move them up. As to the entire executive group, I do not have the number to hand for what the highest salary increase would be.

Mr O'BYRNE - Can we put that on notice, minister?

Mr BARNETT - Specifically, what is the question?

Mr BACON - What percentage increases members of the executive group got.

Mr DAVY - The annual report contains the key management personnel.

Mr BACON - They're all in there.

Mr DAVY - The executive group is a different group. The executive group is all the employees who are not on an enterprise agreement. That is what we refer to as the executive group. Is that the question that you are asking about?

Mr BACON - Absolutely. How many are in that group then?

Mr DAVY - I think it is -

Mr BOROVIAC - One-hundred-and-thirty.

Mr BACON - About 130 employees.

Mr DAVY - Or more than that.

Mr BACON - More than 130. Of those 130, the average increase that they got was 2 per cent. Some would have got more than that and some less. Does that include any bonuses that are paid or is that increase and you get a bonus as well?

Mr EVERY-BURNS - You can get bonuses in the previous year. It's very hard to look at bonus payments, because some years they will be bigger.

Mr BACON - You might get a 2 per cent increase to your basic salary, but then you might get a much larger bonus than you got the year before.

Mr EVERY-BURNS - But you might get much less.

Mr BACON - That's right.

Mr EVERY-BURNS - In some years, as you know, during the crisis there was, at the exec level, virtually no bonuses paid. We look at it and just say - it's not really right to look at bonuses. Bonuses are capped in accordance with government policy generally as well. The most that

someone can get is 15 per cent within those guidelines. You would say that that has not increased year-on-year at all.

Mr BARNETT - As a government business enterprise - and Hydro Tasmania is one of those - they are expected to operate within guidelines set by the Government in terms of wages policy.

Dr WOODRUFF - Regarding climate change, forecasting and future projections of changing climate, I am interested to hear a bit more from you, given the experience of what happened preceding the energy crisis, and the long-range forecasting that was established for a severe drought burst in Japan, I think it maybe the year before that. In Australia with the BOM early in that year it was pretty clear that we were heading for a whopper season. We know that climate change is going to bring possibly consecutive or many more current years of extreme drought. How is the future climate forecasting going to factor into the water storage levels? We're in a great spot now, but it would only take how many years, two or three, for us to be in a tight place.

It's a question about what is Hydro doing to put the climate forecasting into that water storage modelling?

Mr DAVY - The first point is to make sure that we've got modelling for our catchments that is reliable. The first thing you want to do is to make sure we understand all of the models and science that is out there, to ascertain whether there is the possibility to develop reliable forecasts. For example, the bureau's seasonal forecasts and in order to get the next few years right you have to get the next few weeks and months right first, for it to make a difference to the way we manage our storages.

We are very interested in the improvements that the bureau have made to their seasonal forecast. They are now claiming that they have skill in forecasting inflows on a seasonal basis. Better in some seasons than others. They have many different models and when the models line up their skill is better. At some times of year the skill of those models is more reliable.

We are very interested to understand and monitor how well those models work. The models that were available to us back in 2015 were claimed to have very low levels of reliability and skill. They would say, 'here is our forecast and it has a 50 per cent chance of being right,' if I can paraphrase it that way. Now they claim differently. Now they say, 'Here is our forecast. It is much more detailed. It takes account of Tasmania as being a region within itself and its specific geography. We can now do something about forecasting specifically what is going to happen in Tasmania and it has some accuracy.

We will monitor that accuracy and as we see that models are being developed that actually allow us to use something more useful than long-term history as our inflow forecast, we will incorporate that into our storage modelling. That is the process we are going through at the moment, understanding the new science as it comes along, working with those researchers to develop the models that improve the management of our storages. We are on that path.

Dr WOODRUFF - Does Tasmania need to be doing more Tasmanian-specific research into these climate change impacts? I note that since the Greens' minister in 2010-2014, there has not been anything substantial done in that space. We have had a gap now for some time, do we need more? Maybe this is for you, minister. We need some more Tasmanian-specific research on climate change impacts. Is this not an example of where it would be useful?

Mr BARNETT - From my point of view as minister for energy, I receive regular weekly and monthly updates with respect to energy security. That is our top priority as a government. We need to be sure that we can service the needs of the Tasmanian people and businesses - small, medium and large - going forward. I am also very aware of the Energy Security Taskforce report and recommendations and we have acted and responded in accordance with that.

We feel very confident about that. Hydro Tasmania, in an operational sense, has a job to do in managing water storages and making sure that they are confident that they can manage in an economically, environmentally and socially consistent and sensible way. Do you want to add further to the question?

Mr DAVY - Working with the government departments and these external institutions, we are doing what is appropriate.

Dr WOODRUFF - You have the tools at hand, you have the information and the modelling. You have the detailed, up-to-date best science that we can provide on the Tasmanian situation here.

Mr DAVY - We are accessing the best experts and we are working with them to understand what programs of work we need to do in the future.

This will move very quickly over coming years because the models we are talking about are under development at the moment and the research is going on, but we will be better placed in a year's time and better again in two years' time. We are working on it and we believe we are engaged with the right researchers and scientists.

Mr O'BYRNE - Minister, looking at the procurement summary and the consultancies, I notice in your answers you pepper Tasmania First a lot. In terms of contracting engineering consultants, that over approximately 60 per cent of the money invested in engineering consultancies is for off island engineering consultants to the tune of \$1.8 million. Surely that would be of concern to you in terms of lack of support for Tasmanian engineering businesses?

Mr BARNETT - I will add to my earlier answer. You asked about the charter. In 4.4 of the charter, it says:

The ministers expect Hydro Tasmania to set prices, fees and charges which comply with all legislative and regulatory instruments.

Just to assure you, Hydro Tasmania is acting in accordance with the price cap legislation, delivering lower prices for Tasmanians.

In answer to this particular question, if I can be as quick as possible, we are very pleased and proud that the total spent on local suppliers in the financial year 2018 is \$116 million and that is an increase. It is a terrific result and in terms of upgrades to and maintaining hydro assets, \$105.6 million.

With respect to the engineering part of the question, I will see if the CEO has anything further to add to that and we will see if we can help you out with that question.

Mr DAVY - We have spent about \$3.6 million on engineering consultancies over the financial year, but that does not include the money spent internally through Entura.

Mr O'BYRNE - I am just talking about the consultants.

Mr DAVY - We regard Entura as an internal consultant to our business. We use them as well, but a number of the very large engineering consultancy interactions were in Tasmania. Looking through pages 102, 103 of the annual report I can see that many of the engineering consultants we engaged were in Tasmania, so I am not quite sure what you are referring to.

Mr O'BYRNE - AECOM Melbourne, Victoria, half a million dollars; DNV GL Energy, the Netherlands, \$330 000; Parsons, Brinkerhoff -

Mr DAVEY - There will be specific cases where we have to use the best expertise we can in the world. For example, DNV GL are the undersea cable experts we engaged. There are very few of those globally.

Mr O'BYRNE - There is no opportunity to partner with local businesses?

Mr DAVY - We are very careful to -

Mr O'BYRNE - Dam Watch Engineering, nearly \$200 000.

Mr DAVY - The other experts in dams in Tasmania are Entura. We want an independent validation of our dam safety so we do need to go externally for some of services, such as Dam Watch. If they are not available in Tasmania -

CHAIR - Ladies and gentlemen, it is 1.01 p.m. Minister, if you would like to spend 30 seconds and thank the people you have at the table.

Mr BARNETT - I thank you, Chair, and members of the committee for the questions. I thank the officers at the table for their support and service and all members of Hydro Tasmania. The CEO also has a final comment to make as well. Thank you.

Mr DAVY - In response to the query on lakes Cethada and Barrington, I can confirm that no direction or activity was engaged on to manage those storages. I do not know whether they spilt it.

Mr BACON - That is the question.

Mr DAVY - No, the question was: did we manage the storages for the event that caused the spill?

Mr BACON - If that is the question, what is the answer?

Mr DAVY - No.

The Committee suspended at 1.02 p.m.