



Electricity Network Assets (Authorised Transactions) Bill 2015
Electricity Retained Interest Corporations Bill 2015

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Extract from NSW Legislative Council Hansard and Papers Tuesday 2 June 2015.

ELECTRICITY NETWORK ASSETS (AUTHORISED TRANSACTIONS) BILL 2015
ELECTRICITY RETAINED INTEREST CORPORATIONS BILL 2015

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Second Readings

The Hon. DUNCAN GAY (Minister for Roads, Maritime and Freight, and Vice-President of the Executive Council [3.20 p.m.]: I move:

That these bills be now read a second time.

I seek leave to incorporate the second reading speech in *Hansard*.

Leave granted.

Rebuilding NSW

Today the New South Wales Government takes another very important and historic step in delivering our Rebuilding NSW plan that will boost the economy and improve the lives of people right across this great State.

We have demonstrated that we are a Government that delivers—a government that does what it says it will do—and we have wasted no time in bringing to this place these initiatives that will positively change our cities and our regions for the better.

The legislation is being presented as two cognate bills.

The Electricity Network Assets (Authorised Transactions) Bill 2015 (the Transactions Bill) will allow the Government to proceed with its election commitment to undertake a long term lease of 49 per cent of the electricity network and deliver on its mandate to Rebuilding NSW by investing \$20 billion in new infrastructure.

The Electricity Retained Interest Corporations Bill 2015 ensures the State's interests are protected into the future.

It is a privilege to introduce bills that will make such a profound difference to this State and to the lives of the people of New South Wales.

The Rebuilding NSW Plan will boost the economy by around \$300 billion over the next 20 years and create over 120,000 new jobs.

This \$20 billion investment in infrastructure will be funded and fast tracked by recycling capital from the State's electricity businesses—through the long term lease of 49 per cent of the State's electricity network.

Using the lease proceeds, rather than new debt, to pay for infrastructure allows capital expenditure to grow while containing the absolute growth in State debt. This reduces risk and importantly underpins the maintenance of the State's triple-A credit rating in accordance with the Fiscal Responsibility Act.

Leasing the 49 per cent share in the State's electricity businesses means billions can be invested upfront to improve the quality of life of every person in this State, whether they live in our cities or in the regions.

With the proceeds of the lease we will build roads, rail, hospitals and schools together with other infrastructure, including for sports and culture, and vital water infrastructure in our regions.

We will address the increasingly crippling impact of congestion, which will cost \$8 billion a year by 2020. Both our quality of life and the productivity of our workplaces will improve. To do nothing is not an option.

Our roads and rail networks, our schools and hospitals, and our water infrastructure have not kept up with our growing population.

Long term lease

The Electricity Network Assets (Authorised Transactions) Bill 2015 authorises the Government to undertake a long-term lease of 49 per cent of the electricity networks, introducing private investment and management into TransGrid, Ausgrid and Endeavour.

As we outlined, Essential Energy will remain 100 per cent in government hands.

The 49 per cent is calculated based on the forecast closing regulatory asset base of the businesses on 30 June 2015, as set out in the final determination of the Australian Energy Regulator, published on 30 April 2015.

I now refer to specific protections in the legislation.

Price Guarantee

Building on the Government's previous commitments, the bill clearly outlines our commitment to lower electricity prices for consumers.

The successful bidder must provide a guarantee that total network charges for the financial year ending 30 June 2019 will be lower than for the financial year ending 30 June 2014.

This guarantee is to be overseen and enforced by the Price Commissioner who will report to the Government to confirm that the long-term leases will not put upward pressure on prices.

Without the approval of the Price Commissioner, each of the three transactions will not proceed.

Proceeds

The transaction bill confirms that the transaction proceeds will be directed to the Restart NSW Fund and a Residual Liabilities Fund. The Residual Liabilities Fund will be established to hold funds to discharge liabilities connected with a transaction under this Act.

Employees

The transaction bill allows for the transfer of employees to the employment of private sector entities with the terms and conditions contained in their enterprise bargaining agreements.

Once transferred, employees may continue to be a contributor to their existing superannuation fund, retain rights to annual leave, sick leave, extended or long service leave accrued or accruing immediately before the transfer.

Licence conditions

As announced by the Premier earlier this month, the lessees of 49 per cent of the "poles and wires" will be required to hold a licence.

The licences will impose strict conditions on the electricity network businesses and protect the interests of the State and consumers.

The licences will:

- give the State control over the suitability and capability of the network operators;
- require a continued substantial operational presence in Australia, and
- set conditions to manage business continuity and reliability, network performance and safety.

The Independent Pricing and Regulatory Tribunal will be empowered to ensure compliance with all licence conditions, including safety and reliability standards. It will appoint inspectors for electrical installations and equipment and to investigate any serious electricity network accidents.

Additionally, IPART will monitor compliance with a new Environmental Planning Code of Practice, to make sure that electricity network developments comply with certain environmental safeguards and community consultation requirements. Compliance with this code will be a licence condition.

Breaches of the licence conditions and other obligations will attract maximum penalties that are much higher than those currently faced for some safety and other breaches. In some case these penalties will be in excess of \$1 million.

The energy Minister and IPART will also be given new "step in rights" should a breach of licence or electricity regulatory obligation threaten the safe, secure or reliable supply of electricity.

Under the energy Minister's powers as to step in and assumption of control of a business that has breached certain conditions of a licence, IPART may become the network administrator and is to appoint a "step-in operator" until the Minister or IPART determines that it is no longer required.

These additional protections exist over and above the already stringent regulatory framework that sets out the obligations of the network businesses regarding the safety and reliability of the electricity network: for example, the obligation upon network operators to have an audited safety management system in place against which it measures and reports on performance annually. These obligations will continue to be monitored and enforced.

The existing regulatory framework includes incentives for distribution and transmission businesses to improve their level of service performance compared to historic outcomes over time, as well as penalties if their performance level deteriorates.

Electricity Retained Interest Corporations Bill

As mentioned earlier, the Electricity Retained Interest Corporations Bill 2015 will facilitate effective stewardship and oversight of the retained interest of the State in Ausgrid and Endeavour Energy. The bill makes clear how the State's retained interest will be managed and protected following the commencement of the lease.

To avoid potential conflicts of interest, individual corporations will be constituted for each part of the retained interest—that is, one corporation for Ausgrid and another for Endeavour—to effectively manage potential conflict of interest by board members and safeguard commercial in confidence information.

Each corporation will be an independent statutory corporation, and the initial boards of governors will be appointed by the Treasurer.

The corporations will retain veto rights on matters critical to maintain the value of the State's retained holding, such as with respect to change in the dividend policy or additional borrowings that would result in the credit rating of these businesses falling below an investment grade.

Through these corporations the State retains effective stewardship and oversight of the relevant retained interest to protect the value to the State.

Summary

In summary, I would like to reiterate that New South Wales has waited decades for this opportunity and we believe the time is right and the conditions are right.

The Government has been prosecuting this case publicly for about the last 12 months including during the very robust process of an election campaign.

We have the support of experts, highly regarded commentators from all sides of the political spectrum, as well as strong backing from the community, as evidenced by the election result.

This is a once-in-a-generation opportunity for the people of this State.

Whether for our citizens living in rural and regional areas or whether in our cities, everybody will be better off should we proceed with these transactions.

We simply cannot let this opportunity pass. We believe very strongly, as a government, that we have the mandate, and we also believe it is our responsibility to do what is in the best interests of the people of this State.

We do not take this responsibility lightly. Good governments make strong decisions and ensure the community has an opportunity to consider them.

The Parliament and the public can be assured that we will continue to have this open conversation during the transaction process and of course during the delivery of Rebuilding NSW.

We look forward to getting on with the job that the people of New South Wales have elected us to do.

I commend the bills to the House.