



Full Day Hansard Transcript (Legislative Council, 29 May 2013, Proof)

Proof

Extract from NSW Legislative Council Hansard and Papers Wednesday, 29 May 2013 (Proof).

ENERGY SERVICES CORPORATIONS AMENDMENT (DISTRIBUTOR EFFICIENCY) BILL 2013

Second Reading

The Hon. JOHN AJAKA (Parliamentary Secretary) [11.41 a.m.], on behalf of the Hon. Greg Pearce: I move:

That this bill be now read a second time.

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

Leave granted.

This bill is part of the Government's Electricity Network Reform Program to achieve efficiency savings and place downward pressure on electricity prices. It will improve the combined operational and capital efficiency of the three State-owned electricity distributors by creating more streamlined board governance arrangements. The Government is proud to be meeting its election commitment to reform the electricity networks. This bill will ensure that those reforms continue.

In July 2012, the Government implemented interim governance arrangements for the three State-owned electricity distributors—Ausgrid, Endeavour Energy and Essential Energy. These arrangements provided for the appointment of common board members, and also provided for a common chief executive officer and senior management structure. The results of these arrangements have already exceeded the Government's initial expectations.

At the time of the March 2011 election, the Coalition Government targeted operating cost savings in the order of \$400 million across the three businesses. Current indications are that this target will be substantially exceeded, with total operating cost and capital benefits now expected to be in the order of \$2.5 billion across the businesses, including over \$600 million in operating savings.

These savings will deliver real benefits for the people of New South Wales with network price changes stabilising from 1 July this year at or below CPI. The Government anticipates that this price stability will continue for at least the next six years.

Following a review of legal advice provided on this issue, the Government is now moving to formalise the interim structure to ensure the continuing success of the network reform initiatives.

This bill will help streamline the decision-making process at board level by formally providing for a joint board of the distributors. Currently, the decisions that help drive electricity reform initiatives are made at three separate board meetings which is inefficient and administratively cumbersome. The bill also helps to remove any potential conflict of interest for board members in observing their directors' duties.

The bill provides for the joint board to act in the best interests of the distributors as a combined operation, as if the individual businesses were being operated as parts of a single enterprise. The joint board will be constituted in exactly the same way as the current boards and will include the current Chief Executive Officer of each of the businesses as well as each of the current directors.

The bill makes a consequential amendment which ensures that the existing provisions governing a situation where a direction from the Government affects the commercial interests of a business align appropriately with a situation where a joint board is acting in the best interests of the distributors as a combined operation. As a result of the amendment, a distributor will not be entitled to be reimbursed for the costs of complying with a direction from the Government that is not in its commercial interests, if the direction is in the combined commercial interests of all three distributors. Further, any amount that an individual distributor will be entitled to be reimbursed is to be reduced by the amount of the net benefit accruing to any of the other distributors as a result of compliance with a direction.

The bill recognises that the chief executive officer should be able to delegate his functions in respect of a particular distributor to senior officers of that distributor, subject to any direction of the joint board. This power of delegation supports the role of the chief executive officer in implementing these important reforms in a way which is consistent across the businesses and which enables the efficiencies and benefits of the reformed governance arrangements to be realised.

I am delighted to introduce this bill, which, in a simple and effective manner, will facilitate the continuation of extremely successful governance arrangements which have led to real and significant savings and benefits for the people of New South Wales.

I commend the bill to the House.