

UNCORRECTED PROOF

## GENERAL PURPOSE STANDING COMMITTEE No. 5

Friday 18 September 2009

Examination of proposed expenditure for the portfolio area

### ENERGY

The Committee met at 9.15 a.m.

#### MEMBERS

Mr I. Cohen (Chair)

The Hon. R. L. Brown  
The Hon. D. J. Gay  
The Hon. K. F. Griffin

Dr J. Kaye  
The Hon. M. R. Mason-Cox  
The Hon. L. J. Voltz  
The Hon. I. W. West

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#### PRESENT

**The Hon. J. C. Robertson**, *Minister for Climate Change and the Environment, Minister for Energy, Minister for Corrective Services, Minister for Public Sector Reform, and Special Minister of State*

##### **Industry and Investment New South Wales**

**Dr R. Sheldrake**, *Director General*

**Mr M. Duffy**, *Deputy Director General, Minerals and Energy*

**Mr A. Lewis**, *Director, Energy Supply Issues Management*

**Ms K. Hole**, *Director, Energy Strategy and Reform*

**Ms K. Smith**, *Executive Director, Energy and Legal*

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## **CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS**

**Corrections should be marked on a photocopy of the proof and forwarded to:**

**Budget Estimates secretariat  
Room 812  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000**

**CHAIR:** I declare the hearing for the inquiry into the 2009-10 budget estimates open to the public. I welcome the Minister and staff. Today the Committee will examine the proposed expenditure for the portfolio of energy. Before we commence I will make some comments about procedural matters.

In accordance with the Legislative Council's guidelines for the broadcast of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of the Committee, the media must take responsibility for what they publish or what interpretation is placed on anything that is said before the Committee. The guidelines for the broadcast of proceedings are available at the table by the door. Any messages from attendees in the public gallery should be delivered through the Chamber support staff. The Minister and the officers accompanying him are free to pass notes and refer directly to advisors while at the table. I ask everyone to turn off their mobile phones.

**RICHARD SHELDRAKE**, Director General, Industry and Investment New South Wales,

**KAREN ANN SMITH**, Executive Director, Energy and Legal, Industry and Investment New South Wales, and

**ANDREW LEWIS**, Director, Energy Supply Issues Management, Industry and Investment New South Wales, affirmed and examined, and

**MARK DUFFY**, Deputy Director General, Minerals and Energy, Industry and Investment New South Wales, and

**KATHARINE HOLE**, Director, Energy Strategy and Reform, Industry and Investment New South Wales, sworn and examined:

**CHAIR:** We do not have provision for an opening statement at these estimates, so I ask the Opposition to commence questions.

**The Hon. DUNCAN GAY:** On Mr Tripodi's recent \$290,000 overseas trip to search for interested buyers, were there any interested overseas buyers who are still interested?

**The Hon. JOHN ROBERTSON:** I suggest you ask the Minister for Finance.

**The Hon. DUNCAN GAY:** This is about energy and it is part of the whole structure. You are a Minister in this area and it is a joint area.

**The Hon. JOHN ROBERTSON:** The sale process is a matter for the finance Minister. As I said, I suggest you direct your question to the finance Minister, which I understand you have done.

**The Hon. DUNCAN GAY:** If the energy businesses are purchased by local buyers already in the Australian industry, who appear to be the only interested parties at this point, how does this reduction in competition achieve the stated aim to deliver a competitive retail and wholesale electricity market in New South Wales?

**The Hon. JOHN ROBERTSON:** I will not speculate on what the outcome of the sale process will be. You can feel free to speculate but I will not respond to speculation about what may or may not be the outcome of the sale process.

**The Hon. DUNCAN GAY:** Do you understand that the people of New South Wales would like some reassurance? If you and your Government make these statements, we need to know what backs them up.

**The Hon. JOHN ROBERTSON:** As I said, the sale process is being managed by the Minister for Finance. With regard to speculation and the outcome of the sale—

**The Hon. DUNCAN GAY:** This is your portfolio.

**The Hon. JOHN ROBERTSON:** With regard to speculation about the sale, I will not enter into a debate about what may or may not happen as a result of the sale process. A national electricity market has been established. In terms of outcomes of the sale process, that matter is still to evolve.

**The Hon. DUNCAN GAY:** The operation of the Australian electricity market relies on participants building generation capacity well ahead of when it is needed. The simple nature of private business is to meet its own commercial gain, commercial markets, and they rarely build surplus capacity. Indeed, they mostly operate on a just-in-time philosophy. What advice has the Government received on the likelihood of private companies building surplus generation capacity ahead of when it is needed rather than after it is needed?

**The Hon. JOHN ROBERTSON:** I will ask somebody at the table to deal with that. Am I to draw from your question that you have some issues about private sector involvement in power generation in New South Wales, because it seems implicit in your question that somehow the private sector will not be able to deliver the requirements to meet the demands of New South Wales and elsewhere, and somehow you have

issues with the national electricity market and private sector involvement or an issue about the processes that are in place?

**The Hon. DUNCAN GAY:** You will have an opportunity to ask me questions in two years time. You can surmise all you like. The question has been asked on a matter of process and whether you have advice on what will happen. Rather than directing questions back to me, I would appreciate an answer.

**The Hon. JOHN ROBERTSON:** I will ask Mr Duffy to answer.

**Mr DUFFY:** I think the answer probably starts with the Owen inquiry, which is based on the idea that the States have established a successful national electricity market; if the price signals and the climate for investment are well established, then there is a likelihood that the private sector will invest in electricity generation. I guess that is the starting point. We have set up a market that is operating across the States, and demand and supply will provide signals for investors to invest. None of that precludes the Government from investing in generation if that was not to take place. There is nothing to suggest that governments are incapable but the national structures in place, and in particular the process of looking at forward demand and signalling that information to market participants through the statement of opportunities, would lead you to think that with the investment we have seen in the private sector in the New South Wales electricity sector and the peaking plants that are now being built the signals are working to provide incremental generation.

The other point that could be made is that the Federal Government's renewable energy targets mandate 20 per cent of energy supplied by 2020 is to be provided by renewable resources. That in itself should bring forward a massive investment in electricity capacity because retailers will be required to provide 20 per cent of electricity supply from renewables. So in a sense the renewable energy targets that will bring forward investment in the market in the next 12 or so years at least are being supercharged.

**The Hon. DUNCAN GAY:** You mentioned peaking plants but you did not mention baseload. What is the story there?

**Mr DUFFY:** I think the statement of opportunities that was issued by the Australian Energy Market Operator [AEMO] several weeks ago indicates that the requirement for any capacity as a result of the recession and investments that are taking place, and I would presume also as a result of thinking about the impact of the renewable energy targets, is that the New South Wales requirement for any capacity has now moved out a couple of years even since Owen wrote his report. I think we are now looking at a situation, I suspect, that the renewable energy target will take out the need a little bit further beyond what AEMO is suggesting in its statement of opportunities.

**The Hon. DUNCAN GAY:** Minister, do you agree that when making decisions that the pros and cons, that is, both sides of the balance sheet, have to be weighed up? Given that the Government is obviously giving up a dividend stream with the sale of retail companies, will you tell the people of New South Wales the dollar value of that dividend stream? Has the Minister decided what sale price is too low relative to the future dividends foregone?

**The Hon. JOHN ROBERTSON:** It is a matter for the Treasurer.

**The Hon. DUNCAN GAY:** The first part of my question in relation to the dividend stream from your utilities is not.

**The Hon. JOHN ROBERTSON:** It is a matter for the Treasurer.

**The Hon. DUNCAN GAY:** No, you are the Minister for Energy and I am asking you a question in budget estimates.

**The Hon. JOHN ROBERTSON:** I understand the process and why I am here. Dividends from State-owned corporations, which is what the distributors are, is a matter for the Treasurer.

**The Hon. DUNCAN GAY:** Do you refuse to answer?

**The Hon. JOHN ROBERTSON:** No.

**The Hon. DUNCAN GAY:** You do not have that information?

**The Hon. JOHN ROBERTSON:** No.

**The Hon. DUNCAN GAY:** If you have that information will you provide it to the committee?

**The Hon. JOHN ROBERTSON:** You asked me a question and I gave you an answer. I did not refuse to answer. I gave you an answer that you do not like.

**The Hon. DUNCAN GAY:** Minister, do you have that information?

**The Hon. JOHN ROBERTSON:** If you have a question about retailers you need to refer it to the Treasurer. He deals with State-owned corporations as retailers.

**The Hon. DUNCAN GAY:** Do you have that information?

**The Hon. JOHN ROBERTSON:** I have given you the answer.

**The Hon. DUNCAN GAY:** So you refuse to answer?

**The Hon. JOHN ROBERTSON:** No, I have given you an answer.

**The Hon. DUNCAN GAY:** Why are you hiding the real dividend?

**The Hon. JOHN ROBERTSON:** If you wanted to ask that question you should have referred it to the Treasurer.

**The Hon. MATTHEW MASON-COX:** I have a question on privatisation, which must be your favourite subject. Do you agree with the editorial written in the *Australian* on 11 September which states that the Government's bizarre power plan seems certain to fail and has been unveiled in order to try and slip under the implacable opposition of the New South Wales unions which have a stranglehold on New South Wales Labor and have cruelled two previous power privatisation bids.

**Dr JOHN KAYE:** I wish it were true.

**The Hon. JOHN ROBERTSON:** I have not seen that editorial nor have I read it, so I certainly will not pass comment on an editorial that I have not read.

**The Hon. MATTHEW MASON-COX:** Will you comment on the sentiments of that editorial?

**The Hon. JOHN ROBERTSON:** In relation to what?

**The Hon. MATTHEW MASON-COX:** In relation to this being a bizarre power plan?

**The Hon. JOHN ROBERTSON:** What is a bizarre power plan?

**The Hon. MATTHEW MASON-COX:** The proposal to privatise electricity generators and electricity retailers in the manner in which this Government is proposing?

**The Hon. JOHN ROBERTSON:** No, I do not accept that premise at all. In fact, the proposal that is being advanced currently is a proposal that will go forward and has the full support of the Government, including me.

**The Hon. MATTHEW MASON-COX:** Why do industry commentators and the press say that this bizarre power plan seems certain to fail?

**The Hon. JOHN ROBERTSON:** I do not know, you would have to ask them. They are the ones that made the comments. I suggest you ask them.

**The Hon. MATTHEW MASON-COX:** It appears that the root of the matter is that the proposed structure is not seen as a commercially saleable structure to the industry at this point in time. Do you have a comment on that?

**The Hon. JOHN ROBERTSON:** That is their opinion but it is not an opinion that I accept. As I have said, this is a proposal that goes forward with the full support of the Government and it is one that it will proceed with.

**The Hon. MATTHEW MASON-COX:** I know you have recently been sworn in but have you seen the advice about the proposed structure from advisers in relation to the sale?

**The Hon. JOHN ROBERTSON:** Again the sale process itself is a matter for the Minister for Finance. I have not seen anything in relation to that.

**The Hon. MATTHEW MASON-COX:** As a former leader of Unions NSW do you recall saying on 29 August 2008, "This Government has signed its political death warrant tonight"—you probably remember that one—"what we saw yesterday was a huge victory for the community and the workers in the electricity industry in New South Wales".

**The Hon. JOHN ROBERTSON:** No, I do not but I am not going to refute that is probably what I said.

**The Hon. MATTHEW MASON-COX:** It was a colourful time. We have a whole range of comments.

**The Hon. JOHN ROBERTSON:** I am not going to debate that I said it.

**Dr JOHN KAYE:** Just before you sang the *Internationale*, I think—as he does.

**The Hon. JOHN ROBERTSON:** I go to bed every night singing the *Red Flag*.

**The Hon. MATTHEW MASON-COX:** Given those comments, and a host of other colourful comments at the time with which you will agree, how do you feel about being the man in charge of privatising these retailers?

**The Hon. JOHN ROBERTSON:** I am not. The Minister for Finance is dealing with that matter. First, I do support this model and, second, this model is a world away from the proposal that was on the table at that time that was being advanced by the former Premier and Treasurer.

**The Hon. MATTHEW MASON-COX:** Is the model that is being put forward "privatisation" in your view of the word and as you would define it?

**The Hon. JOHN ROBERTSON:** The model that is being put forward in retail and the gen trade, yes.

**The Hon. MATTHEW MASON-COX:** In August 2008 on *Stateline* you said:

You can rest assured I won't be becoming an advocate for privatisation. I am not going to change who I am. I am not going to change my belief systems or my values and I will continue to advocate for those.

How do you reconcile those comments with your admission here today that in fact you are supporting the Government's privatisation of electricity assets?

**The Hon. JOHN ROBERTSON:** You sat in on Tuesday and I made the comment in another standing committee that I am not an ideologue when it comes to this. These are matters that need to be dealt with on a case-by-case basis. I have said that this is a world away from the proposition that was being advanced previously and that is why I have no difficulties with the model that is currently on the table. I am not ideologically opposed to this in the correct circumstances and I do not want you or anyone else painting me as an ideologue when it comes to this.

**The Hon. DUNCAN GAY:** Your Government's Owen report, which I think Mr Duffy mentioned earlier, warned that additional baseload capacity would be needed by 2013-14, yet less than a year later on 27 August the Australian Energy Market Operator [AEMO] 10-year supply and demand forecast indicated that, if no capacity in addition to that already committed is made available for the market, the low reserve condition is

reached in the summer of 2015-16 in New South Wales—two years beyond what the Owen report said—but the outlook based on existing committed and proposed generation is beyond 2018-19. Despite all the hype and the doom and gloom, New South Wales is in a better position than your Government would lead us to believe, and it is probably because of the rundown of the economy in this State during your tenure. With the privatisation that you have indicated that you support, what is the hurry?

**The Hon. JOHN ROBERTSON:** The Owen inquiry into electricity supply in New South Wales, which issued its report in September 2007, and the 2007 National Electricity Market Management Company [NEMMCO] statement of opportunities considered that additional generation capacity would be needed in 2013-14. The changed economic environment and consequent reduction of electricity consumption growth has deferred the need for new capacity by about two years. I am not sure if Mr Duffy would like to add further to that?

**Mr DUFFY:** I think that was really the point I made earlier, that since the Owen report was written the world has changed a little bit with the recession and I think we can also assume impact from renewable energy, and also recognising that Owen took a precautionary approach—better to be cautious than be caught without capacity—as well as recognising that the world has moved on. We are well over two years away from when Owen reported and there have been some major national changes, including the renewable energy target and the worst financial crisis in 60 years.

**The Hon. DUNCAN GAY:** My question stands. Why are we still in such a gut-busting hurry?

**The Hon. JOHN ROBERTSON:** We are not rushing.

**The Hon. DUNCAN GAY:** Taking the Australian Energy Market Operator report into consideration as well as the introduction of a carbon pollution cost of an unknown amount and the potential expiry of a large number of underlying fuel—that is coal—supply contracts in coming years, which will create major uncertainty and potential cost increases, what advice, if any, has the Government received on the current timing of the sale that you have indicated you support?

**The Hon. JOHN ROBERTSON:** Again it is a matter for the shareholding Ministers. I would refer you to the Minister for Finance.

**The Hon. DUNCAN GAY:** Within the Cabinet format as a Minister and now as Minister for Energy, what information do you have that shows that now is a good time to sell generator trading rights?

**The Hon. JOHN ROBERTSON:** You know—you have been around this game long enough to know—that I am not going to talk about what is discussed in Cabinet.

**The Hon. DUNCAN GAY:** If you had anything good, it would be a great opportunity to tell us.

**The Hon. JOHN ROBERTSON:** It might well be, but I am not going to discuss what goes on in Cabinet and, with due respect, you would know that better than most.

**The Hon. MATTHEW MASON-COX:** How about we look at the pricing of electricity, particularly in country New South Wales? Are you aware that because of your Government's 14 years of ripping dividends from the State energy retailers, electricity costs for farmers in New South Wales have risen by 42 per cent since 1 July this year?

**The Hon. JOHN ROBERTSON:** My understanding is that electricity prices are regulated by the Independent Pricing and Regulatory Tribunal [IPART], which is an independent regulatory body that is responsible for setting regulated retail electricity prices for small customers. The New South Wales Government is not responsible for these prices. Since the introduction of full retail contestability, all electricity customers in New South Wales are able to choose their electricity supplier and shop around for the best available offer. The Independent Pricing and Regulatory Tribunal's current determination provides for a three-year price path, which ensures regulated prices are cost-reflective by 30 June 2010, as stipulated in the terms of reference.

The New South Wales Government is committed to ensuring that all people in this State have access to efficiently priced reliable electricity. We have one of the strongest consumer protection frameworks in the country. The framework recognises that electricity is an essential service. There are some members of our



community, such as low-income groups and those using life-support machines, who require additional support. The effectiveness of this framework is reflected in the low levels of disconnection. The Independent Pricing and Regulatory Tribunal reported that in the year 2007-08 electricity disconnections were at their lowest level since retail competition began in 2002. Electricity disconnections declined from 0.7 per cent of all residential customers to 0.6 percent. Gas disconnections declined as well. This Government is always looking for ways to improve the consumer protection framework in consultation with consumer groups, the industry and the Ombudsman.

**CHAIR:** Dr Kaye will be commencing the crossbench time for questioning.

**Dr JOHN KAYE:** Let's go to the 2009 Australian Energy Market Operator electricity statement of opportunities. You would be aware that that document says, looking purely at the low reserve condition as estimated in 2009 and when you look at the outlook based on existing committed and proposed generation, there is no point at which the low reserve condition is reached before 2018-19, and 2018-19 is the limit of the Australian Energy Market Operator's planning horizon. Are you aware of that fact?

**The Hon. JOHN ROBERTSON:** I am not familiar with the document you are referring to. I apologise.

**Dr JOHN KAYE:** You understand what the statement of opportunities document is?

**The Hon. JOHN ROBERTSON:** Yes, but I have not seen it at this stage or had a briefing on it.

**Dr JOHN KAYE:** You have not been briefed on it, so your department has not told you yet about the latest statement of opportunities document?

**The Hon. JOHN ROBERTSON:** With respect, I have been here not even four days. I had four hours of estimates hearings yesterday on Environment and Climate Change, and two hours the day before on Public Sector Reform and Corrective Services, and I am trying to get my head around it, Dr Kaye, and doing my best, so I apologise that I have not seen it.

**Dr JOHN KAYE:** You would be aware of the way in which the Owen inquiry relied on a previous statement of opportunities?

**The Hon. JOHN ROBERTSON:** I am aware of the Owen inquiry, yes.

**Dr JOHN KAYE:** And you are aware of the way in which it used a previous statement of opportunities and in those days, on that particular statement of opportunities, the low reserve condition would have been reached in 2013?

**The Hon. JOHN ROBERTSON:** From memory, 2013-14 was the time point, yes.

**Dr JOHN KAYE:** Are you aware of what low reserve condition means?

**The Hon. JOHN ROBERTSON:** Yes.

**Dr JOHN KAYE:** You are aware that what it means is that there is not sufficient reserve in the system to meet outage?

**The Hon. JOHN ROBERTSON:** To meet demand, yes.

**Dr JOHN KAYE:** You would also be aware that reserve condition can be improved, that a supply-demand reserve balance can be improved by building peaking plant?

**The Hon. JOHN ROBERTSON:** No, but I will assume that you are correct. I understand the supply and demand argument and I understand how you would meet demand.

**Dr JOHN KAYE:** Do you understand that these projections on which the Owen inquiry relied refer to perhaps one hour a year where the 10 per cent reserve margin condition was violated?

**The Hon. JOHN ROBERTSON:** No. I never got into that level of detail while the Owen inquiry was ongoing, or subsequently.

**Dr JOHN KAYE:** Is it your intention now that you are the energy Minister to get into that level of detail?

**The Hon. JOHN ROBERTSON:** Obviously it is my intention to have a clear and thorough understanding of the areas for which I am now responsible.

**Dr JOHN KAYE:** With your permission, Minister, I will ask the same questions of Mr Duffy. It is correct to say that the low reserve condition talked about in the statement of opportunities refers to possibly only one hour a year of violation, and hence it is really a matter of peaking, not of base load?

**Mr DUFFY:** If the question is, "Does it relate to base load or peaking plane in terms of the current statement of opportunities?", my reading of the amount of capacity that is talked about later in the decade would be satisfied by peaking plane investment.

**Dr JOHN KAYE:** From a reading the current statement of opportunities document, there is no argument within this document for the need for additional base-load capacity in New South Wales prior to the planning horizon of the document?

**Mr DUFFY:** I would not go that far, because I think that it depends on the state of the economy, it depends on whether there are some major new loads that come into New South Wales, and it possible would depend on the success of the renewable energy target to bring forward those investments, which probably by their nature will not be regarded as base load.

**Dr JOHN KAYE:** Within the issues canvassed by the Australian Energy Market Operator in the 2009 statement of opportunities document, which is the source relied upon by the Owen inquiry, there is no argument within this document for the need for additional base load capacity in New South Wales?

**Mr DUFFY:** I have not drawn that conclusion. I do not believe that the statement of opportunities has actually made that statement.

**Dr JOHN KAYE:** Did the 2007 statement of opportunities, which Professor Tony Owens relied on so heavily—and I remind you that you are under oath—make a statement indicating a requirement for new base load in New South Wales?

**Mr DUFFY:** I would not want to answer that without having another look at it, so I will take that on notice. I am not going to quote the 2007 statement of opportunities from memory.

**Dr JOHN KAYE:** Let us go somewhere else for a minute. We might come back to that later on. The State Government has lodged development applications or concept plan development applications with the Department of Planning for three large base-load projects, one at Munmorah, one at Mount Piper and one at Bayswater. These are new projects. Has your department done any work on assessing the greenhouse implications of approval of these projects?

**The Hon. JOHN ROBERTSON:** I will defer to the bureaucrats, but I will say that when these finally come on line they will be operation in a CPRS environment, and as such that will influence the fuel source that is used on those sites. It is important to make that point. In regard to the detail, I might call on Mr Duffy.

**Dr JOHN KAYE:** Just before we do move to Mr Duffy, and I am looking forward to Mr Duffy's response, you said when they come on line. Was that a slip of the tongue? Did you mean if they come on line?

**The Hon. JOHN ROBERTSON:** If they are developed and they are built, the time lines to actually construct a—

**Dr JOHN KAYE:** So you did mean if, not when?

**The Hon. JOHN ROBERTSON:** Yes.

**Dr JOHN KAYE:** I just wanted to make sure there was not something that we had not been told yet—

**The Hon. JOHN ROBERTSON:** No.

**Dr JOHN KAYE:** —regarding the independence of the planning Minister in making her determination.

**The Hon. JOHN ROBERTSON:** No. Just to correct the record: if they come on line, the time lines to construct a power station, as I think you would well know, are significant and those sorts of power stations would come on line in a CPRS environment, which will influence the fuel source.

**Dr JOHN KAYE:** Mr Duffy?

**Mr DUFFY:** The policy, as I understand it, is that the Government has a fuel neutral approach to new investment, and it also recognises, as the Minister said, that any investment will be operating under a CPRS, which will have a significant pricing for carbon, which will obviously influence any investor's decision about the sort of technology that they apply. The other thing to bear in mind is that if a base-load generator is built in New South Wales, you need to understand what impact that would have on displacing other dirtier, and therefore more expensive, coal-fired generation in other places. So it is certainly theoretically possible that you could consider that a much more efficient coal-fired base loader could displace much dirtier base-load coal in other jurisdictions, given that we are interconnected with Victoria in particular. So if the planning process was to deal with a coal-fired generation, presumably the planning process would require the proponent to indicate what the carbon footprint of that investment would be, among other detailed considerations that planning would ask of them.

**Dr JOHN KAYE:** That is very interesting information, and we will come back to some points you raised in a minute, but the question I put to you is: Has your department done any analysis of the greenhouse emissions from these power stations?

**Mr DUFFY:** Given the resources that I have, we do not commission detailed work without asking the questions: What sort of technology do we assume, when do we assume it is going to operate, and what impact do we assume it will have on other jurisdictional base loads? It seems to me that we would start doing that work when and if someone has a solid proposal to do that, and there is no solid proposal for it.

**Dr JOHN KAYE:** The concept plan applications for all three power stations actually talk about two separate technologies: they talk about coal and combined-cycle gas turbine, and in the case of two of the three applications they actually give the greenhouse coefficients—that is, the amount of greenhouse per unit of energy produced. They actually give details, so there is no guesswork there. Given that you, the deputy director general with responsibility for energy, in a department of a Government that is pushing ahead with what could be up to 4,700 megawatts of new base-load power stations, possibly coal, at a time when the world is trying to reduce its greenhouse gas emissions, are you telling me that you have done no studies or commissioned no studies on the greenhouse implications of these potentially coal-fired power stations or even gas-fired power stations?

**The Hon. JOHN ROBERTSON:** With respect, I would think these are matters of Planning and Environment and Climate Change.

**Dr JOHN KAYE:** With respect, Minister, why are they not matters for a Department of Energy, whose responsibility is to overview the energy provision in this State? Surely greenhouse responsibility was determined to be a whole-of-government responsibility.

**The Hon. JOHN ROBERTSON:** Let me be clear. In terms of what you are asking, I have suggested that those matters are better referred to the Minister for Planning, or they should have been raised yesterday when I was here in my capacity as Minister for Environment and Climate Change.

**Dr JOHN KAYE:** So that we can have this on record, the answer to the question is that the Department of Energy has done no studies on the greenhouse implications of the development of the energy system?

**The Hon. JOHN ROBERTSON:** For the record, your questions would have been better directed to me yesterday or better directed to the Minister for Planning.

**Dr JOHN KAYE:** Minister, thank you for that guidance. But I cannot direct a question about what the Department of Energy is doing, or what is left of the Department of Energy is doing, to another Minister. I am directing to you, as the Minister responsible, a question asking you: Has the Department of Energy done plans? I presume you are telling me no.

**The Hon. JOHN ROBERTSON:** I am suggesting that any question in terms of carbon emissions and the like, before any proposed development, is better dealt with by the Minister for Planning or should have been dealt with yesterday.

**Dr JOHN KAYE:** Minister, in the State Plan as it stands at the moment there is a 2025 objective to return greenhouse gas emissions in this State to the year 2000 level. Are you aware of that objective within the State Plan?

**The Hon. JOHN ROBERTSON:** I am aware that the State Plan has objectives of getting carbon emission levels back to 2000 levels, yes.

**Dr JOHN KAYE:** By 2025.

**The Hon. JOHN ROBERTSON:** Off the top of my head, I am not sure of the dates. I know there are two dates.

**Dr JOHN KAYE:** Maybe you will get some advice from one of your people here today.

**The Hon. JOHN ROBERTSON:** I am aware there are two dates.

**Dr JOHN KAYE:** Yes. As the Minister for Energy, with responsibility for the State's energy supply system, what impact do you think that creating 4.7 gigawatts of new base-load generation, possibly coal, will have on the capacity of the State to fulfil that element of the State Plan?

**The Hon. JOHN ROBERTSON:** As I indicated to you, by then there will be a CPRS environment, and that will influence the fuel sources of base-load power station that may be built going forward.

**Dr JOHN KAYE:** Let us presume it is gas, which is the lowest emissions technology that was in the State Government's concept plan application to the Minister for Planning. What implications will that have for reaching the 2025 target of greenhouse neutrality with respect to the year 2000?

**The Hon. JOHN ROBERTSON:** I will take that on notice.

**Dr JOHN KAYE:** Let us talk about the retailers and the proposals to privatise them. I appreciate that that is not your responsibility. Is the regulation of the retailers within your responsibility?

**The Hon. JOHN ROBERTSON:** Yes.

**Dr JOHN KAYE:** Good. Paydirt! Is it correct to say that privatisation of the retailers will require some rethinking of the regulatory environment in which the retailers operate?

**The Hon. JOHN ROBERTSON:** I will ask Mr Duffy to answer that.

**Mr DUFFY:** The department has been involved with Treasury, assisting it on policy changes that would apply not because of change of ownership, except to see if there are any events that require change, understanding that we have public and private retailers operating in New South Wales and the regulation we have applies to both sides of the industry. There are no dramatic changes of regulation that we see that will be involved in any change of ownership, given that we are already regulating privately owned retailers. In addition to that, the bulk of the regulation in the next period will be moving towards the national authority, AEMO, through the Ministerial Council on Energy, so—

**Dr JOHN KAYE:** I hope you meant AER [Australian Energy Regulator], not AEMO.

**Mr DUFFY:** Sorry, I mean that the regulatory policies that go to pricing and other matters—yes, you are correct in adjusting me there.

**Dr JOHN KAYE:** Can we talk about your relationship with Treasury in the work you are doing on the regulation of the retailers? Is that advice in respect of impacts on the potential sale price of the retailers?

**Mr DUFFY:** I think you encapsulated the point in your earlier question, which is that our job is to advise about impacts on consumers, vulnerable customers and those sorts of things, and we have done that in reference to our responsibility as a regulator and as the organisation responsible for ensuring that all households have a stable and reasonably priced supply of electricity. That is where the department comes from in the conversations with Treasury.

**Dr JOHN KAYE:** What are you doing to ensure that for the 94 per cent of consumers who are currently with publicly owned retailers there is still the capacity to regulate retailers in the future to drive high energy efficiency outcomes both for greenhouse reasons and to protect household energy bills?

**The Hon. JOHN ROBERTSON:** The proposal in this particular reform is to keep price protections, from memory, to at least 2013, at which point they will be reviewed. There is no end in sight for regulated pricing. A date has been set when the Government will reconsider whether there is a need, because of market competition, to continue to regulate prices.

**Dr JOHN KAYE:** That is very nice, Minister, but I did not ask about pricing. I asked about energy efficiency and regulating to drive high-energy efficiency outcomes to reduce greenhouse gas emissions and protect household energy bills. That is a different question to the one you answered.

**The Hon. JOHN ROBERTSON:** CPRS is going to impact significantly on energy efficiency going forward.

**Dr JOHN KAYE:** That is a personal opinion.

**The Hon. JOHN ROBERTSON:** Do you say that CPRS is not going to?

**Dr JOHN KAYE:** There are opinions in the industry. That is not the question here. The question is: What are you going to do to ensure—or is the answer nothing—

**The Hon. JOHN ROBERTSON:** No.

**Dr JOHN KAYE:** —that through the energy reform process the State Government retains the capacity to drive high energy efficiency outcomes in privately owned, potentially multinational-owned, retailers?

**The Hon. JOHN ROBERTSON:** The Energy Savings Scheme that commenced on 1 July this year builds on the success of GGAS by maintaining incentives for energy efficiency in New South Wales. Consistent with the approach being undertaken by the Commonwealth in implementing its expanded Renewable Energy Target and a carbon pollution reduction scheme, extensions have been granted for emissions intensive trade-exposed industries.

**Dr JOHN KAYE:** Energy intensive trade-exposed.

**The Hon. JOHN ROBERTSON:** Yes. Emissions intensive trade-exposed industries. These exemptions have been issued on an interim basis to provide timely guidance to scheme participants in the absence of a finalised approach from the Commonwealth. The exemptions order will be revoked on 31 December and the new order will be issued in 2010 and later years, if applicable, to take into account further developments in the Commonwealth's approach to exemptions. A single national energy efficiency trading scheme, which would complement the Commonwealth's carbon pollution reduction scheme, is preferential and the New South Wales Energy Savings Scheme will operate until such a national scheme is introduced.

**Dr JOHN KAYE:** One hardly knows where to go with that answer. Minister, you are still not answering my question. What moves are being taken by your Government to ensure that high energy efficiency outcomes can be driven through the regulatory process into the households and businesses around New South Wales via the retailers?

**Mr DUFFY:** I think the point is that the policy position of all the States now is to harmonise their policies at a national level under the CPRS, under the Renewable Energy Target, and under a range of other policies that we are pursuing in relation to smart meters and smart grids. These are to be pursued at a national level. The New South Wales position on energy efficiency, as the Minister outlined, is that whilst ever there is not national trading in efficiency we will continue to run one at the State level. The Government loses absolutely no authority over the retailers merely because they are owned by the private sector, given that we are already dealing with substantial retailers, and regulating them, that are private sector owned already. There is no change to the authority of the Government as a result of the existing retailers in Government hands moving to the private sector.

**Dr JOHN KAYE:** Will you as the Minister for Energy see the contracts and the deeds of agreement signed between the New South Wales Government and the private owners of the retailers?

**The Hon. JOHN ROBERTSON:** I will take that on notice.

**The Hon. DUNCAN GAY:** Going back to a question that my colleague asked earlier, your answer in part said that IPART determines prices not the Government, and in answer to a subsequent question from Dr Kaye you quite correctly said that in 2013 the IPART protections drop off. Consumer and business electricity prices are expected to rise in the coming years, due not only to the lack of protection but also to carbon trading, fuel cost increases, network cost increases—which are already there—and increases in mandatory renewable energy target requirements. What plans does your Government have in place to protect pensioners and low-income households from these increases when the retail businesses are privately owned and out of your direct control?

**The Hon. JOHN ROBERTSON:** I just want to correct the record. I did not say IPART would no longer regulate prices. I said that in 2013 there will be a review to see what is required and whether ongoing regulation is required in the market. That was the point I made. I did not say it would cease automatically. I want to be clear on that. The New South Wales Government is committed to ensuring that all people in New South Wales have access to efficiently priced, reliable electricity. The New South Wales Government has one of the strongest consumer protection frameworks in the country. The framework recognises that electricity is an essential service and that there are some members of our community, such as low-income groups and those using life support machines, who require additional support. The effectiveness of this framework is reflected in the low levels of disconnection. The independent regulator, IPART, reported that in 2007-08 electricity disconnections were at the lowest level since retail competition began in 2002.

Electricity disconnections have declined from 0.7 per cent for all residential customers to 0.6 per cent. The Government is always looking for ways to improve the consumer protection framework in consultation with consumer groups, the industry and the Ombudsman. To protect and help vulnerable New South Wales electricity—

**The Hon. DUNCAN GAY:** Minister, with respect, my question was into the future, not currently. You can take up our time—

**The Hon. JOHN ROBERTSON:** Well, to go to the future you have to understand what is happening now to get a sense of what the Government is going to do.

**The Hon. DUNCAN GAY:** Minister, it is an entirely different playing field in the future when IPART drops off and we have a private ownership.

**The Hon. JOHN ROBERTSON:** Well, again—

**The Hon. DUNCAN GAY:** Can you address the question?

**The Hon. JOHN ROBERTSON:** You keep coming at this premise as though somehow you are opposed to the private sector's involvement in electricity retail. The whole premise of your question is that you are opposed to it—

**The Hon. DUNCAN GAY:** We are after answers that you will not give us.

**The Hon. JOHN ROBERTSON:** I have given you the answer but you keep ignoring it. IPART does not automatically drop off in 2013.

**The Hon. DUNCAN GAY:** Yes, it does.

**The Hon. JOHN ROBERTSON:** I am sorry, there will be a review in 2013 to see if it is necessary for ongoing regulation of prices for small consumers. In terms of customer assistance packages, I am happy to give you the detail of what we currently do and give you a sense of what we will continue to do.

**The Hon. DUNCAN GAY:** Send me a letter.

**The Hon. JOHN ROBERTSON:** Most recently the Government acted swiftly to bring forward a \$272 million five-year compensation package to help families and pensioners meet higher electricity bills. This package consists of a range of support measures including \$125 million over five years to support a customer assistance policy, \$65 million over five years to increase the pensioner energy rebate from \$112 to \$130 per year and indexation of the rebate to CPI thereafter, \$55 million over five years to increase the funding for the Energy Accounts Payments Assistance Scheme [EAPA], and \$27.5 million over five years to extend the pensioner energy rebate to a selected group of Health Care Card holders. The reason this is relevant, with respect, is that five years from now we will still be going well beyond the date you are talking about. The energy rebate, formerly the pensioner energy rebate, was increased to \$130 a year on 1 July, giving a welcome boost to the available support for pensioners and other newly eligible parties.

The Government also extended the eligibility for this rebate to a select group of Commonwealth Government Health Care Card holders in one of the following categories: carer allowance—child under 16, sickness allowance or special benefit. The increased funding for the EAPA scheme also has already been rolled out with up to \$480 a year in vouchers now available to eligible customers. The EAPA vouchers are provided to assist people experiencing difficulty in paying their gas or electricity bill during a personal crisis or an emergency.

**The Hon. DUNCAN GAY:** I am happy for you to have paid the pensioner.

**The Hon. JOHN ROBERTSON:** I thought you were interested. I would be happy—

**The Hon. DUNCAN GAY:** You are not answering the question.

**CHAIR:** The Minister has a right to answer the question as he sees fit.

**The Hon. DUNCAN GAY:** Table it.

**CHAIR:** Minister, I appreciate brevity but, nevertheless, you do have the floor.

**The Hon. IAN WEST:** This is important stuff.

**The Hon. JOHN ROBERTSON:** This is significant in the context of your question because it operates for the next—

**The Hon. DUNCAN GAY:** It is not—

**The Hon. JOHN ROBERTSON:** You have asked what assistance the Government is going to provide going forward, and I have made it clear on a number of points but, obviously—

**The Hon. DUNCAN GAY:** Post-2013.

**The Hon. JOHN ROBERTSON:** Well, five years from now is post-2013, by my maths. It might not be by yours. But that takes us to 2014, with respect, and therefore is relevant to your question. The EAPA vouchers are issued by participating community welfare organisations. Industry and Investment New South Wales also is developing other measures as part of a five-year \$125 million customer assistance policy. It will include programs to provide financial counselling and training services to new and existing counsellors and an energy grants program that will provide assistance to eligible householders to replace energy-intensive appliances in their homes with new efficient appliances. These new programs will be developed and

implemented in the coming year. It will also include strengthened consumer protection obligations on retailers to ensure that vulnerable customers are supported by a robust regulatory framework.

I would also like to update you on a separate program, the life support rebate. This Government has had a lasting commitment to supporting the life support rebate. This stand-alone program has been in place for over 20 years. The rebate credits eligible customers' electricity accounts, thus paying a portion of their home electricity bill. Last year over \$2.5 million was provided to over 20,000 life support rebate recipients. Last year the Government conducted a review of the rebate to ensure that rebate rates were appropriate, according to the amount of time certain machines are used and the energy they consume, and to review the list of eligible machines. The review took into account feedback from New South Wales Health, customer advocacy groups and electricity retailers. As a result of this review the rebate for some machines has been increased and two new machines have been added to the program. The rebate has a strong health focus and is not means tested. The rebate rate varies for approved life support machines and depends also on the length of time people are required to use the machines per day. The rebates have increased for home dialysis, which is used by people who need care with kidney disease, and the positive airways pressure device, which is used for sleep apnoea and respiratory problems.

**The Hon. MATTHEW MASON-COX:** Minister, is it correct that Country Energy is selling power 15 per cent cheaper across the border in Victoria than to New South Wales residents?

**The Hon. JOHN ROBERTSON:** I will take that on notice.

**The Hon. MATTHEW MASON-COX:** If this is the case, how can you justify this to struggling New South Wales farmers?

**The Hon. JOHN ROBERTSON:** Well, I have taken the first point on notice, so it is difficult to answer the second part of the question.

**The Hon. DUNCAN GAY:** Minister, what does the Government's business plan indicate the extra added value will be by linking the Cobbora exploration licence to a joint venture with the generators, thus giving buyers a vertically integrated power company?

**The Hon. JOHN ROBERTSON:** That is a matter that ought to be referred to the Treasurer or the Minister for Finance.

**The Hon. DUNCAN GAY:** Minister, I refer to the national broadband network.

**The Hon. LYNDIA VOLTZ:** Is that in your portfolio?

**The Hon. JOHN ROBERTSON:** I think you are free to ask any question, you like. I am not sure.

**The Hon. LYNDIA VOLTZ:** How is it relevant to the Minister's portfolio?

**The Hon. DUNCAN GAY:** You are saying you have no relevance to the national broadband network?

**The Hon. JOHN ROBERTSON:** No. Ask the question and I will try to answer your question if it is appropriate.

**The Hon. DUNCAN GAY:** A number of assets from New South Wales and other States will be part of the national broadband network—it has already started in Tasmania—including assets from the energy sector and the utilities. To that extent it affects your portfolio. How are valuations being determined on assets that will be put into the national broadband network [NBN]?

**The Hon. JOHN ROBERTSON:** I will take it on notice. I have not had a briefing on that particular matter yet.

**The Hon. DUNCAN GAY:** Mr Duffy—

**The Hon. JOHN ROBERTSON:** We are taking it on notice.



**The Hon. DUNCAN GAY:** Minister, how will they be put in? Will they be put in through lease, acquisition, payment for services? How?

**The Hon. JOHN ROBERTSON:** I will take that on notice as well.

**The Hon. DUNCAN GAY:** Who will be responsible for any defects in the future, any breakdowns or any problems? Has the Government an idea of what is happening there?

**The Hon. JOHN ROBERTSON:** I will take that on notice.

**The Hon. DUNCAN GAY:** Perhaps you could ask one of your people whether there are any plans being done on NBN?

**The Hon. JOHN ROBERTSON:** I have said we will take that on notice.

**The Hon. DUNCAN GAY:** If the rest of the assets are being transferred, what is the impact on the balance sheets of the entities involved and the State Government as a whole?

**The Hon. JOHN ROBERTSON:** That would be a matter for the shareholding Ministers—that is, the Treasurer or the Minister for Finance.

**The Hon. DUNCAN GAY:** In light of the fact that in the last budget the Government increased debt load and expects increased dividends, what impact will this possible asset transfer have on the gearing of your utilities and their ability to pay debt?

**The Hon. JOHN ROBERTSON:** These are state-owned corporations and, therefore, those questions are more appropriately directed to the Treasurer or finance Minister.

**The Hon. DUNCAN GAY:** Are you aware of anyone who is heading the task force in New South Wales regarding NBNs?

**The Hon. JOHN ROBERTSON:** I have indicated to you that I have not had an opportunity for a briefing yet when it comes to the national broadband network. I will take that on notice as well.

**The Hon. DUNCAN GAY:** Dr Sheldrake, are you aware of who is in charge?

**The Hon. JOHN ROBERTSON:** I have just said we will take them on notice when it comes to this area.

**The Hon. DUNCAN GAY:** So you are not going to let us ask any questions in this area?

**The Hon. JOHN ROBERTSON:** No.

**The Hon. DUNCAN GAY:** Just because you do not know it does not mean that someone in your department or area might not know. So you are refusing because of your lack of knowledge?

**The Hon. JOHN ROBERTSON:** With respect, I have not refused to answer any questions. I have merely said I have not had an opportunity for a briefing and I am taking that on notice. That is not refusing to give you an answer. It is a requirement.

**CHAIR:** My understanding is that asking the Minister's advisers—and I stand to be corrected if I am wrong—is the prerogative of the Minister. He may agree, but he also may not agree. He has taken a question on notice, and the Hon. Duncan Gay has to accept that.

**The Hon. DUNCAN GAY:** I accept that the Minister may not know because he has only been there a few days, but I would hope that this Minister would have been generous enough to accept that some people in his department might be aware of these things, and give them an opportunity to answer.

**The Hon. LYNDIA VOLTZ:** To the point of order, Chair—

**The Hon. DUNCAN GAY:** It was not a point of order.

**CHAIR:** You are taking a point of order?

**The Hon. LYNDIA VOLTZ:** Point of order: The Minister has given an answer that he will take the question on notice. That is the answer that has been received on behalf of his department. The member should accept that.

**CHAIR:** It is reasonable that the member has to accept that. Minister, you can either reiterate that you are taking it on notice, or you can refer to your departmental staff.

**The Hon. JOHN ROBERTSON:** For the record, I am taking it on notice. I accept that you want detailed responses, and taking it on notice is not a refusal. There is a requirement upon us to respond and give you answers, and we will give you appropriate answers in accordance with the requirements of the Committee.

**CHAIR:** That is within the procedures.

**The Hon. MATTHEW MASON-COX:** Minister, since the changeover of your plot portfolio last Friday, what is the status of Ian Macdonald's ministerial staff who handled the Energy portfolio; have they joined you or remained with Minister Macdonald, or have they been given redundancy?

**The Hon. LYNDIA VOLTZ:** Point of order: The questions are in regards to the Minister's portfolio responsibility. Ministerial staff that are not his ministerial staff is not within the purview of his portfolio—he can ask about his ministerial staff, but not other Ministers' staff.

**CHAIR:** My understanding is that the question is: Are they his ministerial staff?

**The Hon. MATTHEW MASON-COX:** Or not, yes.

**CHAIR:** Minister, perhaps you could take it in that spirit. You are free to answer that.

**The Hon. JOHN ROBERTSON:** They are not. First, I would like to correct the record: I did not become Minister until Monday. In answer to the second part of your question, they are not.

**The Hon. MATTHEW MASON-COX:** Have you actually appointed any staff in relation to the Energy portfolio at this time?

**The Hon. JOHN ROBERTSON:** No. I only have PLOs at this stage, parliamentary liaison officers. I have appointed no staff.

**The Hon. MATTHEW MASON-COX:** May I turn to the bushfire royal commission in Victoria, are you aware of that commission? Has your department been following the commission inquiry into the Black Saturday fires? I am presuming the answer is yes.

**The Hon. JOHN ROBERTSON:** I think you would need to have been living under a rock not to be aware of it.

**The Hon. MATTHEW MASON-COX:** Do you have any reports at this stage of what effects that royal commission will have for our network?

**The Hon. JOHN ROBERTSON:** What we do know is obviously that bushfires can cause substantial damage to electricity networks, or conversely electricity networks can initiate bushfires. Bushfires can burn down timber power poles, cause metal towers to sag or collapse and cause short circuits that result in power outages, with the result the electricity that pumps water, runs communication systems and lighting systems we rely on is not available. Wires clashing together in high winds, arcing between wires when hot, smoke and soot laden air surrounding the conductors, tree branches coming into contact with wires can all cause sparks of hot metal, and burning leaves can ignite new fires or spread existing fires.

In New South Wales, electricity network operators are required to develop and maintain a chapter entitled "Bushfire Risk Management" in their network management plans. These plans were originally produced

in 2002, but were all revised in March this year to conform to the Electricity Supply (Safety and Network Management) Regulation. Each of the network operators is required to report annually as part of the electricity network performance report on the performance against the bushfire risk management chapter. The performance reports must be independently appraised for adequacy and reliability before being forwarded to the department for review. Ultimately the electricity network performance reports are published on the website of each network operator.

The royal commission into the recent devastating bushfires in Victoria has heard evidence regarding the impact of both damage to and initiation by electricity networks. The department has been monitoring those media reports and ultimately will review the draft and final reports from the commission. The review will include an assessment of whether improvements can be made to the regulatory regime in New South Wales.

**The Hon. MATTHEW MASON-COX:** In the light of the findings of the royal commission of inquiry, is it a concern to you that over the next three years some \$800 million in maintenance work will be deferred for the network here in New South Wales? Is that an implication? Is that a satisfactory situation?

**The Hon. JOHN ROBERTSON:** I am not aware that that is the case. Maybe what I will do is take that on notice.

**The Hon. MATTHEW MASON-COX:** Mr Duffy, are you aware of that situation?

**The Hon. JOHN ROBERTSON:** I have just said that I will take it on notice.

**CHAIR:** I have just been corrected by the staff. I would like to cite 4.3 of "Procedures for Questioning Witnesses":

The Chair, Committee Members and any participating Member are permitted to ask questions of the Minister or officers of departments, statutory bodies or corporations, relating to the items proposed expenditure.

**The Hon. JOHN ROBERTSON:** I accept that.

**CHAIR:** My apologies for misdirecting the Committee. It is reasonable to ask officers those questions directly under the standing orders.

**The Hon. MATTHEW MASON-COX:** Mr Duffy, you would be aware of the mini-budget 2008-09, appendix A9, which lists approximately \$900 million of the deferral network and non-network capital expenditure for Country Energy, EnergyAustralia and Integral Energy and Transgrid. Are you aware of that maintenance being deferred?

**Mr DUFFY:** I am not aware of what maintenance is being deferred, but I also would not assume that any maintenance is being deferred. It may well reflect an adjustment of the organisations' capacity against the previously stated maintenance program. I will take it on notice and get more detail for you.

**The Hon. DUNCAN GAY:** Minister, I would like to go back to the national broadband network, obviously. Minister, you may or may not be aware that the States have to contribute \$43 billion over eight years. In Tasmania, the trial is starting with Aurora Energy. Could you or anyone in your department help us with who is in charge, or who is the go-to person with regard to NBN?

**Mr LEWIS:** I understand that the Department of Commerce heads up the New South Wales NBN task force and that the electricity network businesses are working with that task force on what may or may not be the appropriate use of their resources as part of that.

**The Hon. DUNCAN GAY:** Thank you. Who is the responsible person within Energy?

**Mr LEWIS:** Each of the electricity distributors is working directly to the Department of Commerce task force.

**Dr JOHN KAYE:** Minister, can we now turn to the New South Wales Greenhouse Gas Abatement Scheme. Normally I would not bother kicking over the carcass of the dead scheme, but unfortunately Parliament voted to continue a key aspect of the scheme as an energy efficiency trading scheme. We now do need to maintain a focus on the scheme. Minister, you would be aware of the IPART annual report, 2008, into the

scheme, which interestingly enough stretches out to March 2009, and in particular you would be aware of figure 7.1, which shows the four-week rolling average trends in NGAC spot prices for the years 2003 to 2009. Why is the price in freefall again? Why are we at less than \$4 a tonne abatement price in New South Wales as of March 2009?

**The Hon. JOHN ROBERTSON:** As you would appreciate, with only four days in the portfolio, I am not aware. I have had a number of briefings, but that has not been one of them at this stage.

**Dr JOHN KAYE:** Can we direct the question to Mr Duffy? Why is the NGAC spot price, the four-week rolling average NGAC price, in free fall and way down to below \$4 a tonne?

**Mr DUFFY:** There is a range of issues. I do not agree with your assumption about the scheme, but I will let one of my directors answer that.

**Dr JOHN KAYE:** I am sorry, could you enlighten me about what assumptions I have made about the scheme?

**Mr DUFFY:** With respect, I think you referred to it as the "carcass" and not kicking it over. That suggested to me that you are a critic of the scheme.

**Dr JOHN KAYE:** Oh, it showed. I am sorry.

**Mr DUFFY:** It did come through, yes.

**The Hon. LYNDIA VOLTZ:** No-one would have guessed, John.

**The Hon. IAN WEST:** You must be terrible at poker.

**Mr DUFFY:** I thought I might pass that over to Ms Smith.

**Dr JOHN KAYE:** Can we pass that over?

**Ms SMITH:** In relation to GGAS, as you are aware, it is a market scheme. The Government is very careful not to speculate in relation to the scheme, and the prices of certificates under the scheme, because any speculation can influence the price of certificates, and so the Government does not comment on factors that lead to prices of the scheme. The Government is a strong supporter of the scheme. As you are aware, the scheme is transitioning to the Commonwealth's proposed carbon pollution reduction scheme [CPRS], and that transition process has had a big impact on the greenhouse gas reduction scheme [GGAS]. The Government is concerned to ensure a smooth transition of GGAS to the proposed CPRS.

**Dr JOHN KAYE:** Including \$180 million but we will get to that in a minute. So the Government is making no comment on the fact that the price has fallen to below \$4 a tonne.

**Ms SMITH:** The Government will not comment on the prices because it does not wish to influence the prices of the market. To do so can have market effects for participants in the market.

**Dr JOHN KAYE:** So the Government has no concerns about the fact that this is the second time in two years that the price has fallen below \$6 a tonne.

**Ms SMITH:** The Government is very concerned to ensure a smooth transition from GGAS to the CPRS. Not making any comment in relation to prices is a different issue to being concerned about the viability of the scheme.

**Dr JOHN KAYE:** Has the Government undertaken any analysis, without commenting of the outcome of that analysis, of the price volatility and the causes of price volatility in the GGAS scheme?

**Ms SMITH:** As you would be aware, the Independent Pricing and Regulatory Tribunal [IPART], the scheme administrator, prepared the GGAS report, which contains analysis of the GGAS market, including price effects.

**Dr JOHN KAYE:** It contains what is referred to as a positive analysis, that is, it just observes what is happening. I am talking about an underlying analysis of whether the scheme is producing the outcomes that the Government wants.

**Ms SMITH:** As I said, the outcomes for the scheme, in light of the Commonwealth's proposed CPRS, is to ensure a smooth transition from GGAS to the CPRS for GGAS participants.

**Dr JOHN KAYE:** Would it be a worry that the prices below is less than 40 per cent at the starting price for the CPRS?

**Ms SMITH:** Again, the Government cannot comment on prices.

**Dr JOHN KAYE:** Is the Government entirely satisfied with the history of GGAS?

**The Hon. LYNDIA VOLTZ:** Point of order: Are you asking a policy question of the departmental person?

**Dr JOHN KAYE:** It is not my preference but the Minister does not want to answer.

**The Hon. LYNDIA VOLTZ:** You can hardly ask departmental people about government policy.

**Dr JOHN KAYE:** Thank you for your guidance. Is the Government entirely satisfied with the history of GGAS?

**The Hon. JOHN ROBERTSON:** I will take that on notice.

**Dr JOHN KAYE:** With respect to the transition from GGAS to the CPRS, there was \$180 million in so-called compensation to be paid.

**Ms SMITH:** It is \$130 million that the Commonwealth has offered to GGAS participants.

**Dr JOHN KAYE:** That is Commonwealth funds being distributed by the State?

**Ms SMITH:** The Commonwealth and the State Government are finalising the details of that cash assistance package.

**Dr JOHN KAYE:** Can you tell us how that is divided up?

**Ms SMITH:** I do not want to pre-empt the outcome of those negotiations. Again, that is market sensitive information, but the Commonwealth and New South Wales governments are settling the details of that cash assistance package for GGAS participants.

**Dr JOHN KAYE:** There is an argument in the industry that a large number of the big generators in the system have done exceptionally well out of GGAS. It has been a cash cow, particularly for some of the bigger generators, and totally undeserved for Hazelwood in Victoria, which was for a long time the largest generator of certificates in the scheme while it was also the most polluting power station in Australia per unit of energy produced. How do you respond to the suggestion that this is yet another cash handout to the big polluters?

**Ms SMITH:** I do not want to comment on the merits of government policy. However, it is the Commonwealth that is providing the money, and it has made it clear that it is for adversely affected generators.

**Dr JOHN KAYE:** Will you take on notice and get back to us with your understanding of how this is not yet another cash handout to the big polluters?

**The Hon. JOHN ROBERTSON:** I will take that on notice, yes.

**Dr JOHN KAYE:** Thank you, I appreciate that.

**The Hon. JOHN ROBERTSON:** Happy to help.

**Dr JOHN KAYE:** I turn now to the energy efficiency trading scheme, which I understand will be the residual stub of the GGAS scheme. Is that correct?

**The Hon. JOHN ROBERTSON:** That is my understanding, yes.

**Dr JOHN KAYE:** What steps has the Government put in place to create price stability within that scheme so that it does not reproduce the same history of bust and slightly less bust prices that the previous scheme exhibited?

**The Hon. JOHN ROBERTSON:** I will ask Ms Smith to answer that.

**Ms SMITH:** The energy savings scheme replaces the demand side abatement rule of the GGAS scheme. It commenced on 1 July 2009. It is an energy savings schemes that enables electricity retailers to obtain certificates for energy efficiency activities that they undertake, and those certificates can then be traded. The scheme is being developed, learning from the experiences of GGAS and operation of the demand side abatement rule.

**Dr JOHN KAYE:** What did we learn from the seven years of operation of GGAS and the demand side abatement rule?

**Ms SMITH:** The administrator, the Government, the industry and the participants have got great experience in operating trading schemes and working in those trading schemes and working out what works and what does not work and what delivers.

**Dr JOHN KAYE:** What did the Government learn from those seven years of experience?

**Ms SMITH:** GGAS was one of the first emissions trading schemes so the Government has familiarity in the operation of those schemes.

**Dr JOHN KAYE:** I was expecting that you learnt something—

**The Hon. LYNDIA VOLTZ:** Point of order: If the member is asking a question about what the Government policy is—

**Dr JOHN KAYE:** No, I am not.

**CHAIR:** Opinions are out of order. Dr John Kaye should simply accept the answer for what it is. If he has a follow-up question, that is in order.

**Dr JOHN KAYE:** Does the Minister share the previous Minister's enthusiasm for clean coal?

**The Hon. JOHN ROBERTSON:** What I have said is that we need to keep our eyes open to all sorts of technologies that might be available and developing in this area. As I understand from the briefings I have received, the Federal Government is investing more than \$2 billion in this area of development. I make it clear that we have our eyes open to what options are available to us as we move into a carbon constrained environment.

**Dr JOHN KAYE:** How does the Government view the time scales associated with clean coal and the widely perceived wisdom that we will not have carbon capture and storage in commercial scale application until 2040?

**The Hon. JOHN ROBERTSON:** I am not aware of that date being mentioned anywhere.

**Dr JOHN KAYE:** What date are you working to? What is the planning date for the commercial availability of carbon capture and storage as a retrofit for the existing power stations in New South Wales?

**The Hon. JOHN ROBERTSON:** I will take that on notice.

**Dr JOHN KAYE:** Mr Duffy, does the department have a view?

**Mr DUFFY:** I will take that on notice. The Government is working as hard as it can through a clean coal council to do what many people have observed, which is to find out if this works and find out as quickly as possible. We are working with industry and the Commonwealth. I do not know if they are running to a particular timetable. They are just trying to see if it will work and that is their focus, rather than some timetable.

**Dr JOHN KAYE:** Let us talk specifically about the Munmorah carbon capture and storage pilot project. Am I correct in saying that that will cost \$150 million?

**The Hon. JOHN ROBERTSON:** I think this matter is better asked of the Minister for Mineral Resources.

**Dr JOHN KAYE:** Why is that the case? Is it not within the department of energy?

**The Hon. JOHN ROBERTSON:** No. I am advised that he has responsibility for the particular matter you are referring to.

**Dr JOHN KAYE:** Why would that be, given that it is in a power station and it is about capturing the emissions from that power station?

**Mr DUFFY:** It is the responsibility of the Minister for Mineral Resources.

**Dr JOHN KAYE:** Are you disappointed you do not have responsibility for it?

**The Hon. JOHN ROBERTSON:** It is not a question of whether I am disappointed, that is the situation.

**Dr JOHN KAYE:** Does that mean you do not have responsibility for any of the carbon capture and storage policy development in New South Wales?

**The Hon. JOHN ROBERTSON:** My advice is that it is the Minister for Mineral Resources, but I will take it on notice and come back to you.

**Dr JOHN KAYE:** I think you should because I am interested and that means we have one Minister responsible for Energy and one in this bizarre situation. In relation to investment by the three State-owned distribution network service providers in new distribution capacity—new wires and poles—what was the total expenditure on new wires and poles in the final outcome of the Australian Energy Regulator determination?

**The Hon. JOHN ROBERTSON:** I will take that on notice.

**Dr JOHN KAYE:** Can I give you a hint?

**The Hon. JOHN ROBERTSON:** No, I will just take it on notice.

**Dr JOHN KAYE:** It is about \$17.1 billion—it is a publicly available figure. What are the price implications of that figure for consumers in New South Wales?

**The Hon. JOHN ROBERTSON:** I will take the question on notice.

**Dr JOHN KAYE:** With your permission Minister, Mr Duffy, has your department looked at the price implications for consumers in New South Wales of \$17.1 billion expenditure over four years on traditional wires and poles in New South Wales?

**Mr DUFFY:** The Independent Pricing and Regulatory Tribunal is the determinant of pricing as well as the Australian Energy Regulator, I believe. The Government has made a commitment to have an extremely high level of reliability in the network, and the businesses have made their various submissions. People often underestimate the importance of having a highly stable electricity supply system if you want to attract and maintain investment in a place like Sydney, New South Wales. The Government has set some high standards and they do not come for free.

**Dr JOHN KAYE:** In coming to that determination what steps did the New South Wales Government take to ensure that investing in shinier and newer wires and poles rather than in demand side management, distributor generation or smart grids, would not have been a lower cost, lower greenhouse and lower impact on consumer option?

**Mr DUFFY:** The Minister may have answered this question in a very detailed reply yesterday. It is clear that the work of the Department of Environment, Climate Change and Water and the Department of Energy in recent times is a really broad suite of policies. I think that it is fair to categorise the Government's approach as multipronged with the Commonwealth. A lot of the things you are talking about are things in the future but, nevertheless, you can go out to Newington, for instance, and see some of the work that Energy Australia is doing. A huge amount of work and thinking is going on about the smart metering, smart grids both with the Commonwealth and our businesses. Whilst some people might perceive it as futuristic, I think we are pulling our weight enormously through our businesses to be frontrunners in smart grid and smart metering technology.

**The Hon. JOHN ROBERTSON:** Energy Australia is investing \$10 million in smart village with Sydney Water at Newington and Silverwater. The Government considers smart grid technology to be the next major step in improving the reliability of electricity supplies to New South Wales consumers. Our businesses lead the nation with Energy Australia and Country Energy recognised as being the leading utilities in Australia and globally in this area of smart grids. Smart grids linked with smart meters, intelligent appliances and low carbon electricity generation provide a global approach to dealing with climate change. The trial at Silverwater and Newington will utilise 4 G Wireless communication technology that will link substations so that network control operations can be improved, and establish home area networks so consumers have greater information control over their appliances. Energy Australia anticipates that the benefits will be a \$400,000 reduction in electricity and water bills, as well as a reduction in greenhouse gas emissions by 2,500 tonnes.

Country Energy has established similar trials of smart grid technology at sites around Queanbeyan and is developing plans for larger scale testing. The New South Wales Government supports the Commonwealth's Smart Grid Smart City initiative as an important investment in the national energy future. This Government has established a Smart Grid Task Force to work with our network businesses and other New South Wales based partners to ensure that the \$100 million available from the Commonwealth is invested in New South Wales. This initiative, along with the New South Wales Government energy efficiency program, such as the New South Wales hot water rebate program, which provides up to \$1,200 to assist with changing to a more efficient hot water system, are helping the community to transition to a low carbon energy future.

**Dr JOHN KAYE:** I think you said Energy Australia is spending \$10 million at Newington?

**The Hon. JOHN ROBERTSON:** Newington and Silverwater.

**Dr JOHN KAYE:** Newington and Silverwater—that is less than 0.03 per cent of the total spend on traditional wires and poles in the service franchise area of Energy Australia. Does that reflect that the Newington project is a boutique green wash compared to the business end, the 99.97 per cent of the expenditure that is going into old-fashioned traditional wires and poles?

**The Hon. JOHN ROBERTSON:** My early assessment of what it reflects is that this is a developing technology and rather than roll it out across the whole network, first it has been trialled in an area to get the technology right and make sure it works and to refine it. Dr John Kaye might describe it one way, but it demonstrates that the Government is committed to this sort of investment and is trialling it in specific areas before a decision is made to roll it out beyond the trial.

**Dr JOHN KAYE:** Mr Duffy, what quantum of the \$17.1 billion in the AER's determination is being spent on meeting the peak load?

**Mr DUFFY:** I will take that on notice, as I have not broken it down.

**Dr JOHN KAYE:** The AER has.

**The Hon. DUNCAN GAY:** Earlier the Minister mentioned plans to protect pensioners and low-income households into the future with power costs. What modelling has the Government done on projected increases in electricity costs to consumers in New South Wales, given the extra cost from infrastructure, the



\$17-odd billion, from carbon trading, fuel cost increases, network costs and the increased mandatory renewable target requirements, plus an indeterminate cost by a private body? Is it true that within three to four years the cost of electricity could double? If not, what models does the Government have at the moment?

**The Hon. JOHN ROBERTSON:** The Hon. Duncan Gay has a real hang-up with the notion the private sector is involved in retail sale of electricity. I will take that question on notice.

**The Hon. DUNCAN GAY:** Mr Duffy, do you have those models?

**Mr DUFFY:** I will accept the Minister taking it on notice. I think in four days we really have a lot of material to share with the Minister and it would be appropriate for us to have the opportunity to do that.

**The Hon. DUNCAN GAY:** Once it is shared with the Minister will you share it with the committee?

**The Hon. JOHN ROBERTSON:** We are required to because we are taking it on notice.

**The Hon. DUNCAN GAY:** Mr Duffy, earlier when you were sworn as part of industry and investment you indicated that there could have been other things in industry and investment. Will you enlighten the committee on those other things that could have been included?

**Mr DUFFY:** That was a very poor in-house joke. Last time I was introduced somewhere I called it "Infrastructure and Investment"—it was just a confusion of I's. I think it is a perfectly structured organisation as is and I would not change a thing.

**The Hon. DUNCAN GAY:** Albeit a strange one with the responsibilities that the Minister for minerals has that perhaps should be with the Minister for Energy. Minister, given your indicated support for the current model of generating sale as indicated earlier, the stated expectation is that the purchaser of generator trading rights will offer a substantial up-front payment for those trading rights. Given that the variable operation costs of the New South Wales black coal generators are currently close to the electricity pool price, and given that the operation costs will increase substantially with carbon costs, why do we expect buyers to pay a large up-front payment for these businesses?

**The Hon. JOHN ROBERTSON:** I am going to be consistent on all of these. I think your question is better referred to the Treasurer or the finance Minister.

**The Hon. DUNCAN GAY:** But this is a challenge to your support. You have indicated in these budget estimates that you support this model, yet given that situation you must have a reason to expect that there will be a large up-front payment as well, so does your support include that assumption?

**The Hon. JOHN ROBERTSON:** The question that I was asked in relation to my support had a clear context to it and it did not relate to up-front payments or anything else. It related to former statements that I had made in my previous role and that is how the answer was given. I fully support the model that is being advanced by the Government.

**The Hon. DUNCAN GAY:** Would that support drop away if there were no up-front payments?

**The Hon. JOHN ROBERTSON:** I have told you the up-front payment is appropriately addressed to the Treasurer or the finance Minister.

**The Hon. DUNCAN GAY:** What is the current status of ERM Power's development application for the proposed gas-fired power station near Wellington?

**The Hon. JOHN ROBERTSON:** I think that matter would be better referred to the Minister for Planning.

**The Hon. MATTHEW MASON-COX:** You mentioned smart metering a little earlier. Are you aware of concerns expressed to us by small business owners in the Narrandera region that because of your Government's implementation of a new smart metering system they are facing an increase of more than 53 per cent in electricity costs, including the 20 per cent Independent Pricing and Regulatory Tribunal price increase? Are you aware of that, Minister or Mr Duffy?

**The Hon. JOHN ROBERTSON:** I am aware where Narrandera is.

**Mr DUFFY:** I have not had any briefings from anyone in Narrandera about this, but I am happy to take it on notice, if you are.

**The Hon. MATTHEW MASON-COX:** Terrific. Can you outline what the Government is doing to protect the competitiveness of New South Wales small businesses that rely on energy as a major output, given that type of example?

**Mr DUFFY:** I think a lot of the discussion today has focused on any transition from the existing retailers into the private sector. I think one of the fundamental drivers of the New South Wales energy policy is to establish the most competitive marketplace that is possible and I think if you look at the suite of policies that are being applied here they are trying to create competition, they are trying to create a competitive retail sector in order that customers have choice. This State was the first State to introduce full retail contestability and we expect to see retail competition continue to provide opportunities for small businesses to shop around and find the best solution, so I think the Government's commitment to competition is not based on some ideology, but it is based on the idea that since we have had a competitive market in New South Wales and since we have broken away from the monopoly generator we have seen price falls, and New South Wales has a very significant competitive advantage in terms of its final price to consumers and businesses relative to other jurisdictions in the country and also relative to other countries. I guess the general statement is that we are trying to get the most competitive marketplace that we can with the most efficient businesses and the proper incentives in that market for all participants to perform effectively.

**The Hon. DUNCAN GAY:** So the Government's idea of competition is to make New South Wales businesses less competitive?

**The Hon. JOHN ROBERTSON:** I think Mr Duffy answered that. We are seeking to have lower prices through a competitive electricity market and part of what we are doing is rolling out a market that will provide competition. I think the Hon. Matthew Mason-Cox's question was in relation to small businesses in the Narrandera region. I have made clear with domestic consumers in regard to business that the Government is dealing with this matter through a competitive market environment to drive prices down. Again I go back to my earlier comments that you guys seem very uncomfortable with the private sector and competition in markets.

**The Hon. DUNCAN GAY:** This is the private sector. These are New South Wales businesses operating out of Narrandera, which is very close to the Victorian border, and they have had a 53.89 per cent increase in their energy costs.

**The Hon. JOHN ROBERTSON:** I am taking that on notice, so I am hoping that you will be able to provide us with that information so that we can get you an appropriate response.

**The Hon. MATTHEW MASON-COX:** Are you aware of the Australian Bureau of Agricultural and Resource Economics stating in 2011 that the average dairy farm will be paying an extra \$600 or 6.9 per cent a year for electricity when the permit price is capped at \$10 a tonne; however, in 2015 when the carbon permit price could be around \$28 a tonne or higher, the Australian Bureau of Agricultural and Resource Economics [ABARE] estimates the cost of electricity for a dairy farm will rise by 24 per cent, or be around \$2,200 a year? Are you aware of those statistics, Minister?

**The Hon. JOHN ROBERTSON:** I am not.

**Dr SHELDRAKE:** I am aware of the studies that the Australian Bureau of Agricultural and Resource Economics [ABARE] has undertaken, but as for the actual specifics around industries, they have done studies on all the industries—dairy, the grains industry and beef industry as well.

**The Hon. MATTHEW MASON-COX:** In light of those types of startling price increases, what sort of assurances can you give New South Wales dairy farmers that they will be protected from those types of impact on their business?

**Dr SHELDRAKE:** What New South Wales and Victorian governments have recently done is undertake a study with ACIL Tasman. They have contracted ACIL Tasman to do some work, which would look

at how the agricultural sector might play a role in the Carbon Pollution Reduction Scheme [CPRS], and the work has been an outstanding piece of work because what it has identified is that the farming centre in fact, in terms of offsetting and sequestering carbon, may in fact be a lower form of storing carbon than a number of other forms that have been currently proposed. I think what you are going to see over the next few years is those analyses that the Australian Bureau of Agricultural and Resource Economics [ABARE] have already done being redone as we look at ways that the Carbon Pollution Reduction Scheme potentially comes into play, so it is an ongoing piece of work and there will be a lot more work to be done before those sorts of figures actually impact, but I think there is a recognition that we need to do a lot more work because certainly farmers were concerned when those figures were raised by the Australian Bureau of Agricultural and Resource Economics.

**Dr JOHN KAYE:** Minister, you may be aware by now that the Federal Government's mandatory renewable energy target no longer has a ban on burning native forestry wood waste to generate electricity. Will that have an impact on the current ban in New South Wales? I understand New South Wales currently has a ban on burning wood waste to produce electricity. It does not have a ban on burning waste from waste processing—that is a different story—so we have stopped what are currently termed woodchips going into power stations, but the Expanded National Renewable Energy Target [ENRET] process allows that as renewable energy. Where does that leave the New South Wales ban?

**Dr SHELDRAKE:** The observations you have made are correct. There is no change in New South Wales Government policy.

**Dr JOHN KAYE:** That means it is still illegal in New South Wales to burn wood waste to generate electricity?

**Dr SHELDRAKE:** Government policy in New South Wales has not changed. So the statements that you made originally are correct.

**Dr JOHN KAYE:** That is reassuring to hear. I now take you back to the expenditure of \$17.1 billion on new wires and poles. For the portion of that spend—which, from recollection, was about 20 per cent of that spend—that was directed towards meeting the peak load, what efforts were made by the department to assess whether it would not have been cheaper to spend consumers' money on either recycling air-conditioners or on better energy-efficient measures, such as insulation?

**Mr DUFFY:** Perhaps it would be reasonable to say that the State-owned corporations that run these businesses have got their own research capacity. They also, as networks, have motivations to encourage—Energy Australia certainly has, as a network—ways of avoiding congestion by encouraging consumers into other products. That is why I think Energy Australia, for instance, has been particularly interested in getting people to use heat pumps and other things to take pressure off the network. As investors in the network, their responsibility is to run the business in the broad under the policies that are established by the Federal and State governments.

It is a misconception of the role of the department or of the branch of energy to assume that we micro-manage their policies when determining what is the blend of investments that they make. That is a level of micro-involvement for which the department does not have a mandate, and instead works at the national level and at the State level with the Department of Environment and other bodies to make sure that the policies we establish allow those businesses to make decisions relative to the technologies that are available and the demands upon their networks. So we do not micro-manage those businesses in their investment decisions.

**Dr JOHN KAYE:** So, apart from investigations done by the distribution network-service-providing businesses themselves—which, as you have identified, have certain business incentives—and apart from the overview of the Australian Energy Regulator, nobody else in government is watching carefully to ensure that the component of the \$17.1 billion that went to the provision of services in respect of peak load was being spent in the most efficient way?

**Mr DUFFY:** The Minister correctly made the aside that the regulators are looking at the submissions that the businesses are making, and they will conduct whatever inquiries they think are relevant to find out whether they are spending the money efficiently. That really is the whole point of the regulator. You have a monopoly business that is very complex. The Government recognises that it is a policy-maker, rather than running the businesses in a detailed way. The responsibility of IPART and the Australian Energy Regulator is to seriously cross-examine the submissions that are made by the businesses, get their own independent consultants

to do the same, so that they are not just running off their own internal resource, to analyse the business case that is being put forward by the particular business, to see if that is an appropriate use of resources.

My view is that you need to conceive the energy branch of industry and investment as a policy framework, particularly working with the Commonwealth through the Ministerial Council on Energy, to design national policy to create the incentives for all businesses, be they generation, distribution or retail, to take up and to pursue opportunities to reduce their carbon footprint under the context of the coming CPRS, the renewable energy targets, the efficiency regimes that are in place, the smart meter policy that the Ministerial Council on Energy has commissioned, and all the other efficiency work that is being done through the National Framework for Energy Efficiency and other State and Federal programs. There is a policy overlay under which these businesses operate, and there is cross-examination by the two regulators as to how efficiently they are spending their money before they get it.

**Dr JOHN KAYE:** Does that mean that effectively you hand the whole issue over to the regulator, and all you do is sit back and write policy documents? The only body that is seriously asking the rubber-on-the-ground questions about what is happening to \$17.1 billion of consumers' money is the Australian Energy Regulator? There is no other view taken within the New South Wales Government as to whether a mistake has been made here with respect to that expenditure and that there would not have been a more efficient way to do it?

**Mr DUFFY:** The answer is that we spend a huge amount of time creating the climate in which they make those investments, and we, the Federal and State governments, have instructed regulators and given them very specific requirements to interrogate the business plans to make sure that that money is being spent in the best way possible. I think if we were reconstructing all of that again at a third level, if you like, you would probably ask questions about the use of resources on that particular point.

**Dr JOHN KAYE:** Even though we are talking about \$17.1 billion over four years?

**Mr DUFFY:** I think, even though you are talking about any number, you have a process that basically sets a framework, allows a business to operate within that framework, but cross-examines the business within that framework as to whether it is doing that as efficiently as it possibly can, given technology, given choices, and given the laws and regulation that wrap around those businesses.

**Dr JOHN KAYE:** Minister, you may by now, you certainly will shortly, be aware of the controversies surrounding the Bonshaw to Lismore Transgrid proposal. You might not yet be aware of it, but you will be soon.

**The Hon. JOHN ROBERTSON:** I am vaguely aware of it, not as a result of my ministerial capacity, but I have family in that Northern Rivers area. So I am vaguely aware of it.

**Dr JOHN KAYE:** You will within, I would imagine, several months of being in the portfolio be aware of a number of other Bonshaw to Lismore type controversies, where a pattern emerges where people along the line put forward the argument that the demand side alternatives, the energy efficiency alternatives or local generation alternatives were never given a fair hearing. Are you concerned that the current structure, as outlined by Mr Duffy with respect to both transmission and distribution, is being driven by businesses whose focus is on building transmission and distribution hardware, therefore shutting out the energy efficiency alternatives and the demand side generation alternatives?

**The Hon. JOHN ROBERTSON:** Based on my preliminary understanding—and I admit that it is very preliminary—to spend that money and recoup it, IPART has to sign off on it; that is, if there is an increased cost to consumers, that must be signed off by IPART. Mr Duffy has just said IPART regularly undertakes its own investigations and cross-examines these distributors in regard to whether this is required and whether there are appropriate alternatives for all these sorts of matters to be dealt with. So it is not simply a matter of saying: we will just spend this money and build a gold-plated network and recoup the money. It is actually tested before there is a capacity for them to have consumers pay extra.

We place on these organisations obligations that they must provide reliable electricity supply to consumers. Otherwise, as is the case if there is an outage for whatever reason, we have people asking us questions as to what steps we are taking to ensure that consumers do have a reliable source of energy when it is required. So it is not simply a matter of some engineer saying: we are going to spend this money, and that is

wonderful. As Mr Duffy has outlined, this is a process that is thoroughly examined and independently assessed before there is approval to recoup the costs of this investment.

**(The witnesses withdrew)**

**The Committee proceeded to deliberate.**

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