

**BUDGET ESTIMATES 2009-2010**  
**GENERAL PURPOSE STANDING COMMITTEE NO. 5**

**Questions Taken on Notice relating to the portfolio of Energy**

**QUESTION ONE**

(page 8 of transcript)

**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.

**ANSWER**

I am advised:

The 2007 Statement of Opportunities (SOO) was publicly released on 31 October 2007. The Inquiry into Electricity Supply in NSW, led by Professor Anthony Owen (the Owen Inquiry), was released in September 2007. It is therefore incorrect to suggest that Professor Owen could have relied upon the 2007 SOO in conducting the Owen Inquiry. The Inquiry used a number of inputs, including the demand and energy forecasts published by TransGrid in its 2007 Annual Planning Report. TransGrid's forecasts were also one of the data inputs used by NEMMCO to prepare the 2007 SOO.

The SOO is a report that provides a 10-year outlook for Australia's electricity supply capacity and demand in the National Electricity Market (NEM). The SOO focuses on total capacity requirements not type of generation. It is a reference tool for Australia's electricity industry, government and the wider community, and sends investment signals based on supply outlooks to help guide decision-making by industry.

## **QUESTION TWO**

(page 10 of transcript)

**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.

## **ANSWER**

I am advised:

The NSW greenhouse targets are economy-wide emissions reductions targets, with the primary measure for meeting these targets the Commonwealth's Carbon Pollution Reduction Scheme. Any decision to build a new power station will take place in the knowledge that this will occur under the proposed Carbon Pollution Reduction Scheme.

## **QUESTION THREE**

(page 12)

**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.

## **ANSWER**

I am advised:

Contracts and deeds of agreement will necessarily be commercial in confidence between the purchasers and the NSW Government.

## **QUESTION FOUR**

(page 14)

**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.

## **ANSWER**

I am advised:

Since the introduction of full retail contestability on 1 January 2002, all electricity customers in NSW have had the ability to choose their electricity retailer, and can shop around for the best price for their electricity supply. Households and some small business customers are still able to purchase electricity at regulated retail prices which are set by the Independent Pricing and Regulatory Tribunal (IPART).

The Government has committed to extending retail price regulation until at least 30 June 2013 or beyond until the Government is satisfied there is sufficient competition in the NSW retail energy market. All residential and small business customers that consume less than 160 megawatt hours (MWh) of electricity per annum are able to access regulated retail prices.

The Energy Accounts Payment Assistance Scheme (EAPA) is a NSW Government Scheme designed to help people who are experiencing difficulty paying their home gas and/or electricity bill because of a crisis or emergency situation, such as drought. The scheme is aimed at helping people in such situations to stay connected to essential energy services.

## **QUESTION FIVE**

(page 14-15 of transcript)

**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.

## **ANSWER**

I am advised questions regarding the NBN company should be directed to the Commonwealth Government.

## **QUESTION SIX**

(page 15)

**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.

## **ANSWER**

I refer to the answer provided by Mr Lewis during the Estimates Hearing.

## **QUESTION SEVEN**

(page 17)

**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.

## **ANSWER**

I am advised:

The savings identified during the Mini-Budget process were primarily related to non-network expenditure by the network businesses, and the Australian Energy Regulator has subsequently made a determination regarding the allowable operating expenditure by each NSW network business.

## **QUESTION EIGHT**

(page 17)

**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.

## **ANSWER**

I am advised:

The savings identified during the Mini-Budget process were primarily related to non-network expenditure by the network businesses, and the Australian Energy Regulator has subsequently made a determination regarding the allowable operating expenditure by each NSW network business.

## **QUESTION NINE**

(page 19)

**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.

## **ANSWER**

I am advised:

The NSW Government is a proven leader in climate change policy, as evidenced by our introduction of GGAS nearly eight years ago, on 1 January 2003.

GGAS was one of the first mandatory greenhouse emissions trading scheme in the world. Its purpose was to reduce greenhouse gas emissions associated with the production and use of electricity.

GGAS is a robust and strongly supported program that is monitored by the Independent Pricing and Regulatory Tribunal of NSW (IPART). Compliance has been high.

Since commencing in 2003, G-GAS has already cut greenhouse gas emissions by more than 90 million tonnes – that is equivalent to taking 20 million cars off the road.

## QUESTION TEN

(page 19)

**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.

## ANSWER

I am advised:

GGAS' objective is to reduce greenhouse gas emissions associated with the production and use of electricity and to encourage participation in activities to offset the production of greenhouse gas emissions. It recognises that greenhouse gas emissions are not localised and seeks to encourage any low cost abatement.

Emissions reductions provide benefits wherever they occur. The type of project, whether it be reduced emissions from coal fired generation or reduced landfill methane emissions, does not matter. It is the reduction in emissions which is important.

The NSW Government has been engaged in lengthy negotiations with the Commonwealth Government to seek compensation for those parties who have invested in abatement projects in good faith under GGAS.

The Commonwealth Government's recent announcement to provide \$130 million cash assistance for GGAS participants reflects the outcome of these negotiations.

Compensation is not being offered by the Commonwealth to provide "windfall profits to polluters". The Commonwealth has announced that compensation is being provided to GGAS participants adversely affected by the transition to the Commonwealth's Carbon Pollution Reduction Scheme.

## **QUESTION ELEVEN**

(page 20-21)

**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.

## **ANSWER**

I am advised:

At this point in time there is no set date for commercialisation of Carbon Capture and Storage technology. The NSW Government (Industry and Investment NSW), Delta Electricity, Commonwealth Government (Department of Resources, Energy and Tourism) and the Australian Coal Association have been and continue to be jointly working on the Delta Demonstration Project. This is a Post Combustion, Carbon Capture and Storage Project. The current timeline has the Demonstration Project (with construction and commissioning completed) to commence operating in early to mid 2014. The Demonstration is programmed to run for a period of two years. The aim of the Demonstration Project is to prove the safe capture, transport and storage of CO<sub>2</sub> in NSW.



## QUESTION TWELVE

(page 21)

**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.

## ANSWER

I am advised:

The *Clean Coal Administration Act* has established the Clean Coal Fund and Clean Coal Council. The Allocation of Administration of Acts has assigned this Act to the Minister for Mineral Resources.

## QUESTION THIRTEEN

(page 21)

**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.

## ANSWER

I am advised:

Information on price implications of the increased distribution network expenditure is publicly available from the Australian Energy Regulator and the Independent Pricing and Regulatory Tribunal.

## QUESTION FOURTEEN

(page 22)

**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.

## ANSWER

The Honourable Member is referred to the submissions made to the Australian Energy Regulator (AER) by the NSW network businesses and the AER's *Final decision New South Wales distribution determination 2009–10 to 2013–14*, which are available from the AER website.

## QUESTION FIFTEEN

(page 22-23)

**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.

## ANSWER

I am advised:

The Australian Energy Regulator (AER) and the Independent Pricing and Regulatory Tribunal (IPART) are responsible for regulating transmission and distribution network charges and retail electricity prices for small customers respectively, and provide publicly available forecasts of price increases over the relevant regulatory determination periods.

The Commonwealth Government has released publicly available modelling on the projected cost of the Carbon Pollution Reduction Scheme (CPRS) and the expanded Renewable Energy Target (RET).

## **QUESTION SIXTEEN**

(page 23-24)

**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.

## **ANSWER**

I am advised that Country Energy remains committed to resolving any concerns particular customers may have, and to providing them with detailed information on the choices available to them, advice about reducing energy use and associated costs, and explanations for any apparent anomalies they may perceive.

I am advised that Country Energy is not undertaking any special metering activities in the Narrandera region that would have significant impacts on the pricing arrangements to customers.

Large customers, that is customers who use more than 160 megawatt hours of electricity (MWh) per annum, are required to have metering installed that complies with national market codes, which can include different meter types.

The Government has committed to extending retail price regulation until at least 30 June 2013 or beyond until the Government is satisfied there is sufficient competition in the NSW retail energy market.

All residential and small business customers that consume less than 160 megawatt hours (MWh) of electricity per annum are able to access regulated retail prices.

Households and small business customers who are unable to resolve a dispute with their energy retailer are encouraged to contact the Energy and Water Ombudsman on telephone 1800 246 545.

## **QUESTION SEVENTEEN**

(page 24)

**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.

## **ANSWER**

I am advised that Country Energy remains committed to resolving any concerns particular customers may have, and to providing them with detailed information on the choices available to them, advice about reducing energy use and associated costs, and explanations for any apparent anomalies they may perceive.

I am advised that Country Energy is not undertaking any special metering activities in the Narrandera region that would have significant impacts on the pricing arrangements to customers.

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A handwritten signature in black ink, appearing to be 'JR' followed by a stylized flourish.

**John Robertson MLC**  
**Minister for Energy**