

QUESTIONS ON NOTICE

BUDGET ESTIMATES 2010

16 September 2010

QUESTION ONE

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THE HON DUNCAN GAY: Mr Duffy, of the network expenditure across New South Wales distributors, what percentage is being spent to meet demand growth?

MR DUFFY: Can I take that on notice? The reason I take it on notice is that the submissions that are made to the Australian economic or energy regulator are very complex and large documents and the regulator makes a decision on the basis of independent advice about those submissions. I am happy to take it on notice and see if I can find a reliable number for you on that question.

THE HON DUNCAN GAY: Thank you, and when you are doing that perhaps you could include what percentage has been spent to replace ageing infrastructure and what percentage has been spent to meet the Government's network performance standards.

MR DUFFY: I would be happy to do so.

ANSWER

Information is available on the Australian Energy Regulator's (AER website at www.aer.gov.au) and I am advised AER intends to publish annual reports on Distribution Network Service Providers performance against the AER's distribution determination. These reports will be published on the AER's website and will include both forecast and actual capital expenditure.

I am advised that the estimated average capital expenditure allowance for the NSW networks can be broken up as follows:

Asset renewal/replacement	31%
Growth (demand related)	42%
Reliability and quality of service enhancement	9%
Other	18%

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QUESTION TWO

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THE HON DUNCAN GAY: Can you provide a final version of the customer assistance policy that outlines which measures will be implemented and at what cost?

MS SMITH: The department consulted on the development of the customer assistance policy, including a number of measures of which financial counselling was one. The department provides updated information as to the customer assistance measures on its website.

THE HON DUNCAN GAY: Can you provide a final version of the customer assistance policy (CAP) that outlines which measures will be implemented and at what cost?

MR PAUL LYNCH: We will take that on notice.

MS SMITH: That is the information that we provide on our website about those measures.

THE HON DUNCAN GAY: Minister, can you or the director general also provide an itemised account of the money that has been spent so far and a schedule for the allocation of any remaining funds?

MR PAUL LYNCH: We will take that on notice, I think.

ANSWER

In 2010/11, over \$170 million will be allocated to customer assistance. This includes existing measures such as the Energy Accounts Payment Assistance Scheme (EAPA) and Life Support Rebate as well as recently announced expanded and new programs including:

- \$149 million for the extended and increased energy rebate;
- \$2-3 million on the Medical Energy Rebate;
- Approximately \$1 million for information and training including the Energy Assistance Guide and price comparison service; and
- \$300k on financial counselling initiatives.

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QUESTION THREE

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THE HON DUNCAN GAY: Given the answers to previous questions, do you receive briefings in the form of meetings, emails or telephone calls from Treasury affecting your Energy portfolio?

MR PAUL LYNCH: I think I might have to take that on notice. My recollection is that I have not, but I would want to be absolutely certain before I told this Committee absolutely not.

THE HON DUNCAN GAY: When you are collecting your thoughts on whether you have had any Treasury briefings, could you also try to find out how often you have had these, when was the last one and who actually briefs you?

MR PAUL LYNCH: I can certainly say there are no formal briefings in the sense of someone coming to my office. My reason for being a little less than absolutely certain about the answer is that there is a wad of material that comes across my desk from time to time, which has certainly from time to time included briefing notes from the Treasurer's office.

ANSWER

I receive briefings from Treasury in my capacity as a member of the Expenditure Review Committee.

I am not at liberty to further discuss the deliberations of a Committee of Cabinet.

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QUESTION FOUR

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THE HON DUNCAN GAY: What action is the New South Wales Government taking to remove the regulatory barriers to decentralised energy and other low and zero carbon technologies similar to the removal of the regulatory barriers to decentralised energy in the United Kingdom?

MR DUFFY: The Government has a range of programs that have been announced and I think the Government is also reviewing the programs that operate across the whole of government to bring further matters forwards. Certainly in planning areas and precincts that have been identified for solar and other renewables, a range of renewable energy projects have had planning approval. As you know, gas reduces the carbon output for a given unit of energy by 50 per cent and the Government is working to renovate the gas framework as well as renewable energies. We are happy to give you a catalogue, if we can take it on notice, to give you more precise detail in those areas.

ANSWER

Industry and Investment NSW is developing a draft regulatory framework to facilitate greater uptake of trigeneration networks, recognising that the current frameworks for electricity networks and retailers was not designed with these types of developments in mind. In preparing this framework, the key issues for the Government are ensuring a streamlined regulatory environment whilst continuing to ensure safe and reliable operation and appropriate consumer protection consistent with existing obligations. This framework is being progressed as part of NSW's actions under the Council of Australian Government's Senior Officers Group on Energy Efficiency initiatives.

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QUESTION FIVE

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DR JOHN KAYE: Do you accept there is at least some controversy, if not major problems, about TransGrid's demand forecast for the Lismore district?

MR PAUL LYNCH: I understand there is controversy about that. My predecessor commissioned Deloitte to review TransGrid's methodology in determining their forecasts. Deloitte essentially confirmed that TransGrid had behaved reasonably in its estimates. I concede there is controversy and that something was done by my predecessor to respond to that controversy, the end result of which is that Deloitte found that TransGrid's assessments and methodology were reasonable.

DR JOHN KAYE: Your summary of the Deloitte report is news. Are you prepared to release the Deloitte document?

MR PAUL LYNCH: We will take that question on notice.

ANSWER

This report is available on the Industry & Investment website at www.industry.nsw.gov.au.

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QUESTION SIX

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THE HON ROBERT BROWN: At some point in time would they be required to make that potential deal public so far as the regulator is concerned so that the regulator could put it into the planning?

MR DUFFY: I think so. I will confirm that, but I am pretty sure that this can only function if the basic information about contracts, supply and usage in in the system to plan and forward estimate.

ANSWER

Expansion of the network for large scale projects is a commercial matter between the network operator and the proponent. If a new connection requires expansion of the network, then there are arrangements in place so the company requesting increased availability from the network pays for this investment.

Availability on electricity demand projections is available in TransGrid's Annual Planning Report.. Current and past copies are available at <http://www.transgrid.com.au/network/np/Pages/default.aspx>

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QUESTION SEVEN

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CHAIR: Given that the aluminium industry uses some 24 per cent of the State consumption, is any strategy in place regarding reduction efficiencies and suchlike between the Government and this industry?

MR PAUL LYNCH: It is interesting. We might take that on notice. I had a look at the Tomago plant eight weeks ago. It has done some interesting things about increasing its efficiencies and use of energy. There is some pressure on it from its own internal logic. It sees the public debates and the cost, all of that stuff. I do not want to quote figures now, but there was some quite remarkable efficiency reduction up there.

CHAIR: Are you happy to take that question on notice?

MR PAUL LYNCH: I might take that on notice. It is interesting. The other interesting thing about the aluminium stuff – I am not endorsing this argument; this is what they put to me – is that if you produce steel it will rust and corrode. If you produce aluminium, it will not. In a sense, aluminium may end up being a more efficient long-term product than steel. I can see the reaction to that. I was very careful to say I do not endorse it, but it is an interesting argument about the complexity.

ANSWER

The NSW Government has been working with the aluminium smelters through the Energy Savings Action Plan process which is administered by the Minister for Climate Change and the Environment.

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QUESTION EIGHT

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CHAIR: Concern has been raised also in the domestic solar industry that domestic demand management often is ignored and solar panels, et cetera, are favoured. I am not knocking the solar panel industry at all, but have you any energy strategy in respect to domestic demand management, assessments or education? Huge value can be gained by including the general community and that type of demand management needs process?

MR PAUL LYNCH: We are doing some things about that, for example the energy efficiency program. Some of the stuff that is coming out of the EnergyAustralia project at Newington can be relevant to that. We will take that on notice and provide a more fulsome answer, but there is some interesting stuff happens.

ANSWER

The NSW Government Energy Efficiency Strategy sets out a number of measures to build household awareness about energy efficiency and demand management as well as set out actions the community can take. This Strategy is managed by the Department of Environment, Climate Change and Water.

Through the Ministerial Council on Energy, the energy labelling and mandatory energy performance programs, are critical for providing households and businesses with information about the energy efficiency and costs of running appliances.

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QUESTION NINE

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CHAIR: My question relates to bushfire. Longevity, aesthetics or technology. Has the department paid any attention to undergrounding electricity lines, particularly in country areas of high population growth, which have sensitive environments as well?

MR PAUL LYNCH: The department has considered those matters. In relation to bushfires, there was the Victorian report in July. We are reviewing the findings of that report. There will be an overall government response to which we will contribute. My recollection – Mr Duffy will correct me if I am wrong – is that the Victorian Government did not accept the recommendation to underground power lines.

MR DUFFY: That is right.

MR PAUL LYNCH: If you are trying to underground every power line in the country, I think the cost is prohibitive. But that is not to say that there are not a whole range of other things you should be doing.

CHAIR: There may be certain areas where there would be priority for that sort of thing?

MR PAUL LYNCH: That is true, but we might take the question on notice and give you a more detailed response.

ANSWER

Electricity distributors have indicated that the design and construction of electricity networks in NSW differs from those in Victoria. In NSW, the electricity distributors are reviewing the findings and recommendations of the Royal Commission to determine what, if any, recommendations are relevant to the way that electricity networks are designed, constructed, operated and maintained in NSW.

The NSW distributors would consider undergrounding in high bushfire risk areas where this approach valid and where the economic investment is justified.