



Chris Hartcher MP
Minister for Resources and Energy
Special Minister of State and
Minister for the Central Coast

QUESTIONS TAKEN ON NOTICE RELATING TO THE PORTFOLIO OF RESOURCES & ENERGY, SPECIAL MINISTER OF STATE, MINISTER FOR THE CENTRAL COAST

12 OCTOBER 2012, 9.00am – 1.00 pm

Question from The Hon. Luke Foley MLC

QUESTION 1

The Hon. LUKE FOLEY: When Network NSW becomes a SOC, the normal provisions of the State Owned Corporations Act will apply and it will be subject to control from the shareholding Ministers?

Mr CHRIS HARTCHER: It is not my intention at this time to introduce separate legislation. The normal State-owned corporation legislation would be the applicable legislation.

The Hon. LUKE FOLEY: Who, at the moment, exercises ministerial control over Networks NSW? Is it you or is it Baird and Pearce?

Mr CHRIS HARTCHER: I am the Minister for Energy, the portfolio Minister, and the shareholding Ministers for the three organisations who comprise it continue be the Treasurer and Minister for Finance.

The Hon. LUKE FOLEY: Mr Vince Graham tells us there is an umbrella agreement as to the operations of Networks NSW in existence.

Mr CHRIS HARTCHER: He is the acting CEO.

The Hon. LUKE FOLEY: He is, yes.

Mr CHRIS HARTCHER: But he is not the final CEO because the final organisation has not been legally established. It is the umbrella organisation that is operating.

The Hon. LUKE FOLEY: I am interested in the umbrella agreement that he has referred to. Will that be made publicly available?

Mr CHRIS HARTCHER: I would imagine. I cannot see any reason why not. I will take that on notice.

ANSWER

I am advised the umbrella agreement is a commercial in confidence document.

Questions from Dr John Kaye MLC

QUESTION 2

Dr JOHN KAYE: Minister, can I briefly take you to the case of Eraring power station? On 8 September unit 4 suffered a major fire as a result of escape of pulverised coal dust. Subsequently both remaining units—one unit was already out as a result of an earlier problem with the transformer—have been taken off-line, presumably as a preventative measure to stop additional fires being caused. Eraring Energy is currently predicting something like 40 days of outage.

What is the availability of liquidated damages associated with this failure to provide energy?

Mr CHRIS HARTCHER: That I cannot answer.

Dr JOHN KAYE: Could you take that on notice?

Mr CHRIS HARTCHER: I will take it on notice, yes.

Dr JOHN KAYE: You do not see any reason why that should be commercial-in-confidence information?

Mr CHRIS HARTCHER: If it is commercial-in-confidence information you will be advised of that. If it can be supplied to the Committee it will be supplied to the Committee. It is an appropriate question.

Dr JOHN KAYE: If it is commercial-in-confidence, can you provide the Committee with an explanation as to why that cost, which is a cost against a Government-owned enterprise being paid to the privatised gentrader, would be a matter of commercial-in-confidence?

Mr CHRIS HARTCHER: Yes, that is reasonable.

ANSWER

I am advised that:

On Saturday 8 September 2012, an incident occurred at the Unit 4 boiler, with a boiler tube failure causing over-pressurisation of the boiler vestibule chamber. The deformation of the vestibule caused several pulverised fuel pipes to be dislodged which resulted in the escape of pulverised fuel. Fortunately no one was injured and there was no fire associated with the incident.

Both Unit 4 and Unit 2 (which was out of service for generator transformer exchange work) are undergoing planned outage maintenance and have since had additional extensive inspections of the boiler bottom vestibule and water wall tubes for repair as required.

Following the Unit 4 incident, control measures including imposing maximum operating pressure limitations were implemented on the two in-service units, Units 1 and 3. It was then determined for safety reasons that Units 1 and 3 would be taken out of service in a controlled manner on 5 and 7 October respectively. Both units were returned to service following inspection and repair by 26 October 2012.

The characterisation of the outages of Units 1 and 3 and the application of Availability Liquidated Damages (ALD) in accordance with the Generating Trading Agreement (GTA) remains subject to negotiation between Origin Energy and Eraring Energy.

Information on actual Availability Liquidated Damages associated with specific unavailability events is considered confidential under the provisions of the Generation Trading Agreement between Eraring Energy and Origin Energy Electricity Limited.

QUESTION 3

Dr JOHN KAYE: Minister, there was a previous outage about this time last year resulting from a transformer fire. Can you provide us with information on the time it took to get the first unit back on line?

Mr CHRIS HARTCHER: That is right, there was, on the very day that we met last year.

Dr JOHN KAYE: That is correct.

Mr CHRIS HARTCHER: Yes, I will supply you with the information in that respect.

ANSWER

I am advised that:

On 28 October 2011 the Unit 2B generator transformer suffered a failure resulting in rupture of the tank and subsequent fire. The fire resulted in significant damage to the transformer and associated plant and equipment. A fire separation wall limited the extent of consequential damage.

Following repairs, inspection and testing of associated equipment, the unit was reinstated at around 55% load on 24 December 2011 with one generator transformer (each unit has two generator transformers).

The unit was re-instated at full capacity on 29 February 2012 following an outage of around three weeks to carry out the necessary installation and testing of a spare generator transformer.

QUESTION 4

Dr JOHN KAYE: Can you also supply us with information relating to the availability of liquidated damages that have accrued in respect of that outage, which I think is still happening, from my reading? You can get back to us on that as well.

Mr CHRIS HARTCHER: Yes, if that is not commercial-in-confidence it will be supplied.

ANSWER

I am advised that:

Following the unplanned outage of Eraring Power Station Unit 2 generator transformers the application of Availability Liquidated Damages (ALD) in accordance with the Generating Trading Agreement (GTA) is a matter of arbitration between Origin Energy and Eraring Energy.

The arbitration is confidential between the parties and currently underway.

QUESTION 5

Dr JOHN KAYE: Can I take you to a report by Big Switch Projects—not One Big Switch, which is a different company. It came out on 9 October and it is called, "The Real Energy Price Report: What is business really paying ... and what to do about it". Are you aware of that report, Minister?

Mr CHRIS HARTCHER: No.

Dr JOHN KAYE: Would you be surprised if I told you that that report looked at 66 large consumers around New South Wales, commercial and industrial consumers, office blocks and industry, and the big driver of energy bill increases for those consumers was in fact an increase in the maximum demand charge. Would you be surprised by that fact?

Mr CHRIS HARTCHER: It is not really fair to ask me to comment on a report I have not seen, whose existence I am unaware of.

Dr JOHN KAYE: The matter was reported in the *Sydney Morning Herald* two days ago. Are you aware of that?

Mr CHRIS HARTCHER: No, I did not see it. I did not see the report.

Dr JOHN KAYE: Perhaps we cannot go too far on this, but could you take on notice the fact that maximum demand charges, which are charges being imposed in New South Wales by publicly owned networks, are in fact increasing, the being maximum by 75 per cent and some by 28 per cent? These are annual increases. Are you aware of substantial increases in the maximum demand charge being imposed by those networks?

Mr CHRIS HARTCHER: We will reply to those matters.

ANSWER

My Department is aware of the Report.

QUESTION 6

Dr JOHN KAYE: Are you aware of the debates around maximum demand charges and their inefficiency?

Mr CHRIS HARTCHER: Yes, I am.

Dr JOHN KAYE: They do not necessarily correspond because the maximum demand of business does not necessarily correspond to the time of peak demand on the network.

Mr CHRIS HARTCHER: I am aware, yes. There is a huge amount of ongoing debate about pricing and charging in the electricity industry. That is continuing. The Prime Minister herself has made her contribution to the debate. The energy Ministers met as recently as last Friday to discuss those issues and there is a further energy Ministers meeting on 23 November.

Dr JOHN KAYE: If I may interrupt you, I am specifically talking about one attribute of that rather than the general quantum, which is what the debate has been on. I am specifically talking about the inefficiencies associated with collecting network revenue based on maximum demand charges and the distortion that it drives in consumer behaviour.

Mr CHRIS HARTCHER: I am aware there is an argument about that, but I am not able or professionally qualified to give you a commentary on that. I will take—

Dr JOHN KAYE: Can you take the matter on notice and get back to us on that?

Mr CHRIS HARTCHER: I quite agree, Dr Kaye, it is the role of responsible government to take those matters into account and, where parliamentarians raise them and seek the information, such information as the Government can provide it will provide.

ANSWER

My Department is aware of recent commentary made in relation to maximum demand charges.

Question from The Hon. Peter Primrose MLC

QUESTION 7

The Hon. PETER PRIMROSE: Will you advise how many WorkCover employees were transferred from the Central Coast in the past 18 months?

Mr CHRIS HARTCHER: I am aware that this issue has been raised on a number of occasions. The Government has given a commitment that WorkCover numbers will not go below 500 and that the head office will continue to remain at Gosford where it is a major employer and where it was relocated under Premier Bob Carr. Of the four directors' roles, three have been relocated to Sydney. The great mass of operational staff remain on the Central Coast at Gosford.

The Hon. PETER PRIMROSE: Is your answer three?

Mr CHRIS HARTCHER: No, my answer is not three because ancillary staff were with those three. My understanding is that it is a minimal number. I will take that question on notice.

ANSWER

I am advised:

My colleague, the Hon Greg Pearce MLC, Minister for Finance and Services, has consistently stated that there are no plans to relocate the WorkCover Office from Gosford. WorkCover's head office will continue to remain in Gosford where it is a major employer.

The Government is committed to an effective and efficient public sector. To this end, WorkCover underwent a strategic performance review as part of the "Better Services and Value" initiative 2010/11 to ensure the efficient delivery of its strategic goals.

As a result, a number of recommendations were made regarding WorkCover's organisational structure. WorkCover's 2010/15 Corporate Plan supports these recommendations. As a result, major organisation-wide reviews of capabilities, roles and structure are continuing.

Since May 2012, functional realignments have been undertaken of WorkCover's:

- Work Health and Safety Division
- Strategy and Performance Division
- Workers Compensation Insurance Division
- Investment Division
- Information Services Group; and
- People and Culture Group

As part of the realignment of WorkCover's Workers Compensation Insurance Division, four Director positions have been established with direct accountabilities and responsibilities across the four core workers compensation insurance streams.

These are:

- Underwriting – accountable for all aspects of insurance pricing across all insurance products to ensure system financial viability and meeting future funding needs;
- Claims Services – accountable for all aspects of claims management outcomes including system financial performance;
- Product Development and Support – accountable for insurance product competitiveness, regulatory policy and system improvements, and supporting optimal system management;
- Risk Management and Compliance – accountable for minimising risk and enhancing insurance compliance across the system and delivering specified regulatory and back office functions.

The new operating model has been developed to provide one common, simplified view of workers compensation insurance and will make it easier for customers to navigate the system. It will also ensure products and services meet customer needs in order to provide a well-managed, financially viable and sustainable workers compensation insurance system.

The realignment program will continue to be informed by the Government's Reform Agenda and the Government's response to the Final Report of the Commission of Audit released in August 2012. WorkCover will continue to keep staff informed and consult with them regarding proposed changes on a regular basis.

Question from The Hon. Shaoquett Moselmane MLC

QUESTION 8

The Hon. SHAOQUETT MOSELMANE: How many new commuter car parking spaces are currently under construction on the Central Coast? What new spaces are planned? When will the new Gosford commuting car parking begin construction?

Mr CHRIS HARTCHER: I will have to take that on notice.

ANSWER

I am advised:

On 23 April 2012 the NSW Government announced its new Transport Access Program. The Program includes more than \$770 million of projects over four years. Over \$100 million was allocated in the first round which will improve access at over 35 locations in coming months.

On 29 May 2012 the NSW Government announced an additional \$170 million commitment to build nine new commuter car parks, providing more than 1,200 additional car spaces at train stations across the CityRail network.

More planning and design work will now occur to see which projects will come next, centred on evidence-based criteria including current and future patronage, the needs and demographics of customers using the location, whether important services such as hospitals or educational facilities are nearby, and accessibility of other transport interchanges and facilities.

Gosford Station and other locations in the Central Coast region will be considered as part of this process.