

BUDGET ESTIMATES 2008-2009
RESPONSES TO QUESTIONS ON NOTICE
General Purpose Standing Committee No 5
17 October 2008
ENERGY

The Hon. TREVOR KHAN: Minister, it is the case, is it not, that in May this year you traveled to China on a trade mission?

The Hon. IAN MACDONALD: Correct, yes.

The Hon. TREVOR KHAN: Who attended the trade mission with you?

The Hon. IAN MACDONALD: Quite a number of people. Do you want departmental people or business people?

The Hon. TREVOR KHAN: Everyone.

The Hon. IAN MACDONALD: I do not know if I have all the names but I will give you some of them and I will answer it on notice later. It was the Director General of the Department of Primary Industries, Dr Richard Sheldrake; Jason Bartlett, from my office; and Dr Christine Wang, from the department. From business, people came and went at various times because the mission was to both China and Korea.

The Hon. TREVOR KHAN: We will deal with the Chinese part.

The Hon. IAN MACDONALD: I think there was Bob Cameron from Centennial; I think Colin Bloomfield from BHP Billiton came across to China; and I think Xstrata was there. I am pretty sure Col White from Xstrata was there. I would have to get the other names but there were a significant number of businessmen from the resources sector.



The Hon. TREVOR KHAN: Do I take it that the costs of the trip were some \$27,500, of which about \$16,000 was for airfares and \$11,500 was for accommodation?

The Hon. IAN MACDONALD: I think that would possibly be right. I do not have the figures with me.

The Hon. TREVOR KHAN: Whom do those figures cover in terms of costs?

The Hon. IAN MACDONALD: They would cover, I think, my office. I am not sure whether they would cover anyone outside; I do not have a break-up of it. I can give that to you at a later stage.

The Hon. TREVOR KHAN: Excellent. So you will take that on notice as well?

The Hon. IAN MACDONALD: Yes.

Answer:

The figures presented are not accurate.

CHAIR: I am very interested in this because my understanding is that the feedback into the grid, even though it is green energy from a photovoltaic source, is not at the rate of green energy. One of the big issues that the industry and individual users have is that they do not get the advantage of GreenPower rates when feeding solar-generated electricity back into the grid. Resolving that one point would go greatly to improve the dispersal and development of an alternative decentralised energy industry.

The Hon. IAN MACDONALD: I understand that some of our retailers offer a premium.

CHAIR: A premium, but not the green rate. It is not the same rate as the one companies are charging consumers, such as the many people in this room, to purchase electricity at the green rate. That is a seriously inequitable situation. Would you not agree with that?

The Hon. IAN MACDONALD: Given that there are a number of different policies in this area, I will take it on notice and come back to you. I agree that we need to look at ways of being able to systematise it somewhat better.

Answer:

A "Green Rate" for energy is taken to mean the retail product sold to customers under the national GreenPower program. Currently the average premium for 100 per cent GreenPower charged by retailers is around six cents per kilowatt hour. Typical renewable electricity generators, such as wind farms, derive their income from selling both electricity and Renewable Energy Certificates (RECs), and thus cover the higher costs of renewable generation over conventional electricity.

Dr JOHN KAYE: This matter will be discussed at both the Ministerial Council on Energy [MCE] and the Council of Australian Governments [COAG]. The final determination will be made at the Council of Australian Governments, or at the Ministerial Council on Energy?

The Hon. IAN MACDONALD: I would think the Council of Australian Governments would do that.

Dr JOHN KAYE: The Ministerial Council on Energy meets before the Council of Australian Governments.

Mr DUFFY: I think there is a November Council of Australian Governments meeting.

Ms BAUMGARTNER: There is a Ministerial Council on Energy meeting in December.

The Hon. IAN MACDONALD: No. I am not sure. I will have to come back to you on that. I am not sure when the Council of Australian Governments is actually meeting.

Answer:

The next meeting of the Ministerial Council on Energy is scheduled for 12 December 2008. The next meeting of COAG is scheduled for 29 November 2008.

Dr JOHN KAYE: What is the total amount of money that the New South Wales Government spent on clean coal research and development over the last budget period?

The Hon. IAN MACDONALD: I will have to take that on notice. I do not have a full, accurate figure of it. But, for instance, the Department of Primary Industries, through mineral resources, has been doing sequestration studies—basically, a geological survey. At the moment we are finalising arrangements for drilling in the Munmorah area for potential sites, and that will not take long. There will be some value of work that has to be done in relation to that.

Answer:

For 2007/08, the NSW Government spent \$1.55 million on clean coal research and development (including resource assessment and pilot technology trials at Munmorah).

Dr JOHN KAYE: Apart from the clean coal fund, what is the four-year forward estimate of money to be spent by all New South Wales Government sources on clean coal, including carbon capture and storage?

The Hon. IAN MACDONALD: I will have to take that on notice.

Dr JOHN KAYE: Can you give us a ballpark estimate?

The Hon. IAN MACDONALD: We had a figure. If the sequestration stopped, geological surveys for sequestration, I think the figure we had in mind was about the \$20 million mark. But whether it is over four years or three years, I do not have that precise information with me.

Answer:

Estimates on the amount of funding available for clean coal have been published as part of the mini-budget papers.

The Hon. TREVOR KHAN: With regard to electricity assets, can you confirm that the dividends drawn by the State Government since Labor came to power have been in the order of \$11.3 billion?

The Hon. IAN MACDONALD: Over the full 13 years?

The Hon. TREVOR KHAN: Over the full 13 years.

The Hon. IAN MACDONALD: I will have to take that on notice.

Answer:

This information is available in the annual reports of the relevant State-owned corporations. Any further information should be sought from the shareholding Ministers.

The Hon. TREVOR KHAN: Are you able to give us a breakdown of how much has been received from each of the trading enterprises that form part of the electricity industry over that period as well?

The Hon. IAN MACDONALD: Yes, I can get you that information on notice.

Answer:

This information is available in the annual reports of the relevant State-owned corporations. Any further information should be sought from the shareholding Ministers.

The Hon. TREVOR KHAN: That is a real worry. Can you confirm that the State's electricity generators incurred \$3.7 billion in hedging losses in 2006-07?

The Hon. IAN MACDONALD: I cannot confirm that figure but I know that some difficulties were being experienced by some of them during that period. I will consult with the Treasurer and get you some figures.

Answer:

This question should be directed to the shareholding Ministers.

The Hon. TREVOR KHAN: Do you know what, if any, the hedging losses were for 2007-08?

The Hon. IAN MACDONALD: No.

The Hon. TREVOR KHAN: Will you find out?

The Hon. IAN MACDONALD: I think I have indicated I will try to find out. I will consult with the Treasurer and see if I can answer it.

The Hon. TREVOR KHAN: Will you take it on notice?

The Hon. IAN MACDONALD: That is correct.

Answer:

This question should be directed to the shareholding Ministers.

The Hon. TREVOR KHAN: Are you aware that some 40 per cent of the existing trades in the national electricity market are being undertaken by two traders that are not involved in the ownership of assets in the electricity market?

The Hon. IAN MACDONALD: I will take that on notice.

The Hon. TREVOR KHAN: Would it concern you that essentially there seems to be in the nature of speculators that are heavily involved in the market?

The Hon. IAN MACDONALD: I am concerned about speculation everywhere. But I do not have Ministerial responsibility for this side of the energy business. As you know it has been divided over years. But I will again talk with the Treasurer and come back to you with an answer.

Answer:

The Owen Inquiry found that the National Electricity Market is working efficiently and effectively. More recently, the AEMC Reliability Panel's draft annual report on electricity market performance found that the reliability and security performance of the power system during the 2007-08 year appear to have been generally robust.

The Hon. TREVOR KHAN: Minister, Mr Duffy or anyone else for that matter, is it the case that the majority of the coal contracts are due to expire before 2011?

The Hon. IAN MACDONALD: Yes. In terms of the energy, I know some are expiring, but whether it is the majority you will have to consult with the Treasurer.

The Hon. TREVOR KHAN: Will you obtain details of that?

The Hon. IAN MACDONALD: Yes, I will do what I can to get your questions fully answered by the Minister responsible.

Answer:

The three state owned generators have a large number of coal contracts of varying tonnages and tenure. They are continually expiring and being replaced with new contracts. I am advised that there are a number of small coal contracts which will expire before 2011. However, the generators already have contracts in place for a substantial proportion of their forecasted 2011 coal requirements.

The Hon. TREVOR KHAN: Do I take it that your answer can be distilled: first, yes, there are projections done; second, I do not know how accurate they still may be; third, and I am inviting the answer, the projections having been done, will you undertake to provide the committee with those projections as to prices?

The Hon. IAN MACDONALD: Again, I will talk to the Treasurer who has responsibility for this area in relation to the financial side and projected side of energy and seek to provide an answer.

Answer:

The Independent Pricing and Regulatory Tribunal (IPART) provides three year price projections for customers on regulated prices. These price projections are publicly available on IPART's website.

The Hon. TREVOR KHAN: Is it the case that irrespective of whether the Treasurer is doing the maths it is information that is available to you? It being available to you, what I am asking you is not to redo the maths but simply give the committee the information that you have?

The Hon. IAN MACDONALD: I will talk to both the Treasurer and the State owned corporations to see what information they have in relation to that.

The Hon. TREVOR KHAN: And provide it to the committee? That is the second part of my question.

The Hon. IAN MACDONALD: As far as I am enabled to pass it on, I will pass it on by way of an answer.

CHAIR: Are you taking it on notice?

The Hon. IAN MACDONALD: Yes.

Answer:

The Independent Pricing and Regulatory Tribunal (IPART) provides three year price projections for customers on regulated prices. These price projections are publicly available on IPART's website.

Dr JOHN KAYE: It is simply a mantra that continues to come out of ministerial mouths. Can you tell us when that scoping work was done? What date was it commissioned?

The Hon. IAN MACDONALD: I do not have—

Dr JOHN KAYE: Can you get back to the Committee on that? Can you get back to us with the date on which that scoping work was commissioned?

The Hon. IAN MACDONALD: I do not think there was work commissioned. We have a policy division and people may have been looking at all options in light of the fact that there had been a change of policy. I do not know precisely the point of your questioning—

Dr JOHN KAYE: I do not know that it is necessary to have a point. I simply want to know when the work in relation to plan B commenced. At what point did the Department of Energy or other agencies under your supervision start looking at issues to do with plan B, that is, the sale of the retailers and the generation sites, not the leasing out or sale of the generators?

The Hon. IAN MACDONALD: I will give you those details in the context of a question on notice.

Answer:

The Opposition announced its decision not to support the Government's proposed reform strategy in Parliament on 28 August 2008.

As a prudent and responsible economic manager, the Government has developed a revised strategy to secure electricity supplies for NSW and limit the exposure of the state owned retail electricity businesses to trading risk in a highly volatile wholesale electricity market.

Dr JOHN KAYE: Did you institute that work? Did you initiate that work or was it initiated by a departmental officer?

The Hon. IAN MACDONALD: No. A number of government agencies have been involved in this issue. A number of the plans for the retail side—extensive work had already been done in relation to retail in the context of plan A. I will answer the question on notice.

Answer:

The Opposition announced its decision not to support the Government's proposed reform strategy in Parliament on 28 August 2008.

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ADDITIONAL QUESTIONS ON NOTICE

17 October 2008

Questions from the Hon Mr Trevor Khan

1. Renewable energy

- a. What progress has the Government achieved in supporting and exploring the following sources of renewable energy:
 - i. Hydro;
 - ii. Biomass;
 - iii. Landfill methane;
 - iv. Wind; and
 - v. Solar
- b. Is the Minister confident the Government's target of 10% of energy from renewable energy sources by 2010 will be achieved?

Answer:

1a For all of the listed resources, support for demonstration and pre-commercial projects may be provided from the Climate Change Fund.

i. Hydro

The NSW Government has supported the development of a range of smaller hydro opportunities in recent years by undertaking and publishing a number of resource assessments and surveys.

ii. Biomass

The NSW Government has undertaken comprehensive assessments of the range of biomass resources in the last 10 years. The results of these studies are available in the NSW Bioenergy Handbook.

iii. Landfill Methane

There is currently around 29 megawatts of landfill generation in NSW, with most of the larger opportunities being already developed. An assessment of smaller regional landfill opportunities was produced in 1998.

iv. Wind

The NSW Government has enabled wind development in NSW, with the production of the NSW Wind Atlas and the NSW Wind Energy handbook in 2002.

v. Solar

The NSW Government supports solar water heating through the BASIX building design planning instrument. The NSW Government also provides a rebate of up to \$1200 to residents in NSW installing solar water heating systems.

The NSW Government's support of solar energy also includes Macquarie Generation's Liddell solar power system and other prospective technologies being demonstrated at the CSIRO National Solar Energy Centre.

Answer:

1b Following more than a decade of inaction on climate change by the Federal Coalition, NSW is now able to transition its policies in this area to the Federal Government. This question is therefore better directed to the Federal Government.

2. Water use – generators

- a. How many million litres of water does each of the State's generators use to operate each year?
- b. Has this figure increased or decreased since you became Minister for Energy?
- c. What action has the Government taken to make the State's coal-fired generators more water efficient?

Answer:

2a This information is available in generation company Annual Reports.

2b This information is available in generation company Annual Reports.

2c The Government works with generators to ensure a best practice approach to water management and efficiency, and to investigate alternative sources of water to supplement existing supplies during periods of extended drought.