

# **PORTFOLIO COMMITTEE NO. 7 - PLANNING AND ENVIRONMENT**

**Thursday, 31 October 2019**

**Examination of proposed expenditure for the portfolio area**

## **ENERGY AND ENVIRONMENT**

**CORRECTED**

**The Committee met at 3:00 pm**

### **MEMBERS**

Miss Cate Faehrmann (Chair)

The Hon. Mark Buttigieg

The Hon. Catherine Cusack

The Hon. Ben Franklin

The Hon. Mark Pearson (Deputy Chair)

The Hon. Penny Sharpe

The Hon. Adam Searle

Mr David Shoebridge

## **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**



**The CHAIR:** Welcome to the budget estimates supplementary hearing for the portfolio of Energy and Environment. Before I commence, I acknowledge the Gadigal people, who are the traditional custodians of this land. I also pay my respect to the Elders past and present of the Eora nation and extend that respect to other Aboriginals present. Today's hearing is open to the public and is being broadcast live via the Parliament's website. In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I also remind media representatives that you must take responsibility for what you publish about the Committee's proceedings. The guidelines for the broadcast of proceedings are available from the secretariat.

All witnesses in budget estimates have a right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018. Any messages from advisors or members' staff seated in the public gallery should be delivered through the Committee secretariat. I remind witnesses that you are free to pass notes and refer directly to your advisors seated at the table behind you. Finally, could everyone please turn their mobile phones to silent. I remind all witnesses, with the exception of Ms Mackey, that you do not need to be sworn as you have been sworn at an earlier budget estimates hearing of this Committee.

**MICK PETTITT**, Director, Southern Ranges, National Parks and Wildlife Service, Department of Planning, Industry and Environment, on former oath

**SHARON MOLLOY**, Acting Executive Director, Biodiversity and Conservation, Department of Planning, Industry and Environment, on former affirmation

**ATTICUS FLEMING**, Deputy Secretary, National Parks and Wildlife Service, Department of Planning, Industry and Environment, on former affirmation

**ANISSA LEVY**, Coordinator-General, Environment, Energy and Science, Department of Planning, Industry and Environment, on former affirmation

**MARK GIFFORD**, Chief Environmental Officer, NSW Environment Protection Authority, Department of Planning, Industry and Environment, on former affirmation

**MICHELLE DUMAZEL**, Executive Director, Policy Division, Environment, Energy and Science Group, Department of Planning, Industry and Environment, on former affirmation

**STEPHEN BEAMAN**, Executive Director, Hazardous Incidents and Environmental Health, NSW Environment Protection Authority, on former oath

**CARMEN DWYER**, Executive Director, Waste Operations and Programs, NSW Environment Protection Authority, on former affirmation

**KAR MEI TANG**, Executive Director, Department of Planning, Industry and Environment, on former affirmation

**KATE WILSON**, Executive Director, Climate Change and Sustainability, Department of Planning, Industry and Environment, on former affirmation

**JOHN CLELAND**, Chief Executive Officer, Essential Energy, on former affirmation

**JAMES HAY**, Acting Deputy Secretary, Energy, Climate Change and Sustainability, Department of Planning, Industry and Environment, on former oath

**NAOMI STEPHENS**, Acting Executive Director Park Operations, National Parks and Wildlife Service, on former affirmation

**ROBERT QUIRK**, Executive Director, Park Programs, National Parks and Wildlife Service, on former affirmation

**TRACY MACKEY**, Chief Executive Officer, NSW Environment Protection Authority, affirmed and examined

**The CHAIR:** As there is no provision for any witness to make an opening statement, we will begin with questions from the Opposition.

**The Hon. ADAM SEARLE:** Mr Cleland, on the last occasion, 13 September, we were discussing the draft direction that I think you had received from Minister Kean.

**Mr CLELAND:** Yes.

**The Hon. ADAM SEARLE:** At that stage it was in draft form and I think I asked whether you could furnish the Committee with a copy of the letter. You said you would take that on notice but, yes, we can furnish the Committee with a copy of that letter. Have you provided the Committee with a copy of that draft letter?

**Mr CLELAND:** Yes, we did.

**The Hon. ADAM SEARLE:** I ask the Chair whether the Committee secretariat has it because I have not seen a copy of that.

**The CHAIR:** We will come back to that.

**The Hon. ADAM SEARLE:** I have made inquiries over the last two days and I was told that no copy of the letter was in the custodianship of the Committee.

**The CHAIR:** I cannot remember seeing it.

**Mr CLELAND:** We will double check.

**The Hon. ADAM SEARLE:** Mr Cleland, you were kind enough to take on notice a matter I raised with you about a Mr Greg Nelson, who had some troubles getting a contractor. I received your letter of 27 September 2019. We do not seem to be able to work out a system of providing the Origin Energy contractor with access to the property; no-one lives there, the owner has to travel out. Is there any way through this problem? Is there no system by which people can borrow keys and return them or pay a bond?

**Mr CLELAND:** Mr Searle, we have a clear obligation to maintain the security of all our customers' premises.

**The Hon. ADAM SEARLE:** Of course.

**Mr CLELAND:** The only keys we have are master keys. We do not have individual premises' keys. To hand out master keys to third parties seeking access to properties would be a dereliction of duty on our part.

**The Hon. ADAM SEARLE:** What is the solution to this particular problem from an access point of view?

**Mr CLELAND:** The solution is that customers need to liaise directly with their retailer, who should liaise with the metering coordinator. This is a change that occurred through the implementation of Power of Choice.

**The Hon. ADAM SEARLE:** It has made things more complicated rather than less complicated though, on this occasion.

**Mr CLELAND:** I do not agree.

**The Hon. ADAM SEARLE:** I might come back to you on that.

**The Hon. MARK BUTTIGIEG:** Following up on that Mr Cleland, is not the point that providers such as Essential Energy—which traditionally have had the wherewithal on the ground to provide staff to come out and do these sorts of things, particularly in regional areas such as you service where there is more community-based interface where workers would go out and say, "Here's the key, mate. Open it up, off you go"—that is no longer available because there has been a divorce from that customer service focus to "It is the retailer's problem; deal with them"? This is not an isolated issue which Mr Searle refers to; it is quite common. I am at a bit of a loss to understand why you have not found a way around it that is more practical, because the average consumer is going to go, "We ring the retailer and they don't give us any joy."

**Mr CLELAND:** Mr Buttigieg, all I can say in response to that is that the provisions of Power of Choice and the respective responsibilities are quite clear. We, as an organisation seeking to operate as efficiently as we possibly can, cannot be despatching people out every time an individual has an issue in dealing with their retailer or the retailer metering coordinator.

**The Hon. MARK BUTTIGIEG:** No, but can you provide a dedicated lock? Surely it does not have to be one controlled by a master key; you can tailor the response to the customer, can you not?

**Mr CLELAND:** Mr Buttigieg, we have 855,000 connected customers.

**The Hon. MARK BUTTIGIEG:** Meaning 850,000 will come back and ask for this sort of customer service?

**Mr CLELAND:** No, nowhere near that number would come back but it would necessitate Essential Energy holding an individual key for each.

**The Hon. MARK BUTTIGIEG:** So you do not want to set a precedent.

**The Hon. ADAM SEARLE:** Ms Levy, in the absence of the Minister, we will start by directing questions to you.

**Ms LEVY:** Certainly.

**The Hon. ADAM SEARLE:** If you are not the right person, you can direct us to where we should go.

**Ms LEVY:** I am happy to, Mr Searle.

**The Hon. ADAM SEARLE:** In answer to supplementary question 43, it references the NSW Transmission Infrastructure Strategy. Can you explain how the recent interconnector announcement in the last week dovetails with the Government's transmission strategy?

**Ms LEVY:** Certainly. Mr Hay is our witness in relation to energy for further detail but he is at a medical appointment and will be arriving later, so I will do my best to answer the question for now.

**The Hon. ADAM SEARLE:** To the extent that you cannot, I am happy for you to take things on notice. It is not 20 questions; I just want the answer.

**Ms LEVY:** The NSW Transmission Infrastructure Strategy outlines the priority projects for transmission across New South Wales. The Queensland-New South Wales Interconnector [QNI] was one of those priority projects identified in the Transmission Infrastructure Strategy as a priority project, along with a number of others. The timing for the QNI was determined by the Australian Energy Market Operator [AEMO], the market operator that determined when we would need to have QNI in operation to enable it to be in place ahead of the Liddell closure. At the beginning of this year it was identified that that time frame for having QNI operational was earlier than originally had been anticipated. What that meant was that TransGrid had to commence work particularly on some critical areas like ordering long lead time items ahead of the regulatory assessment process, which normally they would not take that so-called risk of undertaking expenditure before they had the regulatory approvals in place.

The underwriting is a security to TransGrid to go ahead and do some of those essential works that mean that the project can be delivered on time. Once the regulatory approval is provided, and we have a great deal of confidence that that regulatory approval will be provided, because it is identified not only in the NSW Transmission Infrastructure Strategy but it is also identified as a priority project in the ISP that the market bodies have identified as essential group 1 priority projects, the underwriting is to ask TransGrid to progress that work earlier to ensure we meet the time frames set by the market operator.

**The Hon. ADAM SEARLE:** What is the estimated cost of the QNI?

**Ms LEVY:** I will have to check on the full costs but the underwriting cost was \$102 million, the combined cost that the Commonwealth and State governments have agreed to underwrite for that project.

**The Hon. ADAM SEARLE:** What is the respective cost split between New South Wales and Queensland customers?

**Ms LEVY:** It is a 50/50 split.<sup>1</sup>

**The Hon. ADAM SEARLE:** Apart from providing a generally supportive role, what is the actual functional involvement of the New South Wales Government in this? Because essentially TransGrid is now the private transmission operator and they are dealing with the regulatory bodies at a national level, so in some senses the New South Wales Government is a bit of a bystander, is it not?

**Ms LEVY:** Somewhat, but having entered now into this agreement for underwriting there is a contract between the parties involved to ensure that there is a level of involvement. We are working very closely with TransGrid to ensure that they are doing everything possible but we are also working very closely with the AEMO and the Energy Security Board to ensure that we are basically hand-holding this project all the way to make sure it is delivered on time.

**The Hon. ADAM SEARLE:** You talked about the underwriting. The Commonwealth and New South Wales and Queensland governments have jointly agreed to underwrite the cost. Is that all of the cost or will some of the cost be—

**Ms LEVY:** No. It is the cost that is at risk for them that they would need to expend ahead of getting the regulatory assurance.<sup>2</sup>

**The Hon. MARK BUTTIGIEG:** In the event that the regulator does not come through and concur with the requirement, what is the contingency then for the Government?

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<sup>1</sup> In [correspondence](#) to the committee received 27 November 2019, Ms Anissa Levy, Coordinator-General, Environment, Energy and Science, Department of Planning, Industry and Environment provided clarification to her evidence.

<sup>2</sup> In [correspondence](#) to the committee received 27 November 2019, Ms Anissa Levy, Coordinator-General, Environment, Energy and Science, Department of Planning, Industry and Environment provided clarification to her evidence.

**Ms LEVY:** There are a number of options potentially available to us that could include legislative or regulatory changes and they are things that are considered as a sort of fallback position to require them to deliver the infrastructure regardless. But we are very confident that the regulatory approvals process will be successful because it is considered by all parties to be an essential project.

**The Hon. ADAM SEARLE:** Apart from the amount that is being publicly underwritten, if you could, on notice, provide the total estimated cost of the—

**Ms LEVY:** If you bear with me I might be able to get it for you now. Certainly Mr Hay would be able to give you that answer when he arrives. I will take it on board to answer that question when Mr Hay arrives.

**The Hon. ADAM SEARLE:** That is fine. In terms of the supplementary questions and the answer to question 29, it was stated that the Government has a range of policies to deliver on its net zero emissions target. What exactly are those policies that the Government says are milestones towards achieving net zero emissions, leaving aside whatever the Minister says he will deliver for next year?

**Ms LEVY:** I will hand over to Ms Dumazel in a minute, who may be able to add a little bit more to this answer. We are still working through the development of a climate change emissions strategy which will be released by the Minister, subject to his approval. We are working through a range of options across a number of areas. We are looking at industry by industry, sector by sector to undertake a range of initiatives to reduce emissions across things like transport, agriculture, energy and land uses and those options will be developed and outlined in the emissions strategy. Ms Dumazel, did you want to add anything to that?

**Ms DUMAZEL:** Just to say that yes, we are looking at it from a sector perspective and, as Ms Levy identified, we are looking at electricity, transport, agriculture and fuel as well—we are looking at the fuel aspect and industry processes. We are also having a look at the programs that we already fund through the climate change programs and building upon those.

**The Hon. ADAM SEARLE:** I am heartened to hear about the different sector approach. You mentioned, I think, agriculture in there. I am interested because I think the Minister in his evidence to budget estimates said that in his emissions strategy mining and agricultural sectors would not be included. I just want some clear advice from you about whether agriculture is in the emissions strategy that the department is working on.

**Ms LEVY:** The emissions strategy is not finalised.

**The Hon. ADAM SEARLE:** I understand that.

**Ms LEVY:** It will not be finalised until it goes through government. We are developing a whole range of options across all sectors. The Minister has to go through a process of consulting with his colleagues. We have to consult across government and take that through Cabinet. So we are developing a wide range of options for consideration across all sectors.

**The Hon. ADAM SEARLE:** That is good. It sounds like a lot of these are still in the sort of development stage. The assertion in the answers provided on notice was that the Government has a range of policies to deliver on net zero emissions. What are the existing policies that are currently being delivered that actually lead us closer towards net zero emissions in 2050 than we were yesterday and the day before?

**Ms LEVY:** Ms Dumazel might add to my answer but a lot of those are in the programs that are funded through the Climate Change Fund.

**The Hon. ADAM SEARLE:** Other than those programs, the Government is not doing anything additional for some understanding?

**Ms LEVY:** That is our primary focus at the moment. The new initiatives are all being developed through the development of our new strategy.

**The Hon. ADAM SEARLE:** That is good. I just wanted to be clear on that.

**Ms DUMAZEL:** I will just add to that too. In 2016 the Government released the NSW Climate Change Policy Framework, and that sets out the objectives for New South Wales to reach net zero by 2050. The framework also considers making New South Wales more resilient.

**The Hon. ADAM SEARLE:** I understand that. The strategy—and this is not a criticism—is fairly high level. It is objectives focused rather than concrete steps providing a linear set of pathways towards actually achieving net zero emissions.



**Ms LEVY:** That is the next phase of evolution of what we are working on. In answer to your earlier question about what else we are doing, Dr Wilson might like to add a few areas that we are currently working on that are outside the Climate Change Fund.

**Dr WILSON:** I will just mention there are some other ongoing programs which focus both on energy efficiency and, therefore, emissions reductions. The Energy Savings Scheme has been running for a number of years—Ms Dumazel probably knows the exact number of years—but that has been very effective in introducing energy efficiency into the market.

**The Hon. ADAM SEARLE:** That is also funded out of the Climate Change Fund.

**Dr WILSON:** No, it is not. Then there is the NABERS program, the National Australian Built Environment Rating System, which is Federal legislation. It is a national program run out of New South Wales. The New South Wales Government, through its Government Resource Efficiency Policy, has set particular targets for NABERS ratings for commercial buildings so that the government can only lease buildings of certain energy efficiency. Again, that has been one of the more effective programs in increasing energy efficiency and thereby reducing emissions. Then there is a whole lot of support we give to other programs we run. For example, you are probably aware that all local councils at the moment are doing local strategic planning statements and we have been providing advice to help them with their emissions reduction strategy. So it is not so much a specific program but broad advice we provide. There are quite a range of other programs that we also implement.

**The Hon. ADAM SEARLE:** I am happy for you to take it on notice but could you provide me with a list of those programs in due course?

**Dr WILSON:** I am happy to, yes.

**The Hon. ADAM SEARLE:** In terms of the answer to supplementary question No. 51, it was said that the NSW Environment Protection Authority is leading work to ensure that a comprehensive system to provide financial protections to cover potential coal seam gas [CSG] related environmental risk is in place. Again, that sounds like it is still a work in progress. Ms Levy, can you update the Committee about exactly where that project is up to?

**Ms LEVY:** I will hand to Mr Gifford in a moment but, yes, considerable work has been done over the last few years. I think it is safe to say that there is a good body of work that has been prepared for advice for government. Mr Gifford?

**Mr GIFFORD:** That is correct. There have been cross-department agencies working on a response for the Government to consider and it is currently with the Government for consideration.

**The Hon. ADAM SEARLE:** So you have done your work and it is now able to be—

**Mr GIFFORD:** Yes.

**The Hon. ADAM SEARLE:** Do you think something might be forthcoming by the end of the year.

**Mr GIFFORD:** That is a matter for government.

**The Hon. ADAM SEARLE:** I will ask Minister Kean when he comes to the inquiry. Answer No. 53 talked about a number of risk management and prediction tools being used by agencies in New South Wales to assess extractive industries' proposals. That is quite a bit different to the recommendation of the Chief Scientist when she recommended there be a risk management and prediction tool specifically developed for extractive industries and particularly for use in connection with CSG. Do I understand your answer is that no new tool has been developed within government and that you do not propose to do so?

**Ms LEVY:** I might have to refer to Mr Gifford or Mr Beaman.

**Mr GIFFORD:** My recollection is that that response captured the various activities and programs and approaches that are currently in place within government. I can only speak on behalf of the NSW Environment Protection Authority [EPA]. From the EPA's perspective, we have risk-based licensing, so that is a fundamental approach to understanding the nature of environmental risk associated with any activity that is licensed by the EPA. There is quite a detailed program that sits behind that to identify that risk, to characterise that risk and also to look at operator performance. The outcomes from that are then tied to licensing and licensing fees, and for poor performers there are increased fees and for good performers the fees are reduced. So it incentivises the licensee to continue to operate effectively but also to understand their risks and to minimise them and to have mitigations and controls in place.

**The Hon. ADAM SEARLE:** In her report, the Chief Scientist was talking about something very different. She was talking about a tool that enabled government, in a whole-of-government way, to, if you like, measure the cumulative impacts of development from a baseline and run models about risk. In her September 2014 report, she was talking about developing a very specific and new piece of equipment for government to assess that. Again, this is made difficult because you are one part of government and a lot of this does seem to call for a whole-of-government response but I am just wondering whether any work is being done in fulfilment of the Chief Scientist's recommendation.

**Ms LEVY:** We might have to take that question on notice.

**The Hon. ADAM SEARLE:** I am happy for you to do so, absolutely. Answer 61 talked about search-engine marketing for the Seniors Energy Rebate and the amount provided was \$280.57. Is that a correct figure?

**Ms LEVY:** I am just wondering whether we might be able to keep questions about energy until Mr Hay arrives. Would that be possible? If not, I might have to take more answers on notice.

**The Hon. ADAM SEARLE:** Okay. I will move to a non-energy question, and that is the answer to questions 73 to 76 that were given on notice. That was a series of questions about ministerial travel. It says, "In 2018-19, total expenditure by the ministry on domestic travel was just over \$1 million." What are you referring to there? By "the ministry", do you mean the Minister's office or are you talking about some subset of the Department of Planning, Industry and Environment?

**Ms LEVY:** That number sounds terribly high for a Minister's office, doesn't it?

**The Hon. ADAM SEARLE:** Do you have a copy of the supplementary answers?

**Ms LEVY:** I have got them here.

**The Hon. ADAM SEARLE:** You can see the very specific questions, 73 to 76.

**Ms LEVY:** I do.

**The Hon. ADAM SEARLE:** First of all, the answer does not seem to be responsive to the questions, which is problematic.

**Ms LEVY:** I have just had some confirmation. This is all Ministers across government and it is Ministers offices across all of those questions; so it is 73 to 76, the total answer across all Ministers of government.

**The Hon. ADAM SEARLE:** This was a question that was submitted in relation to the Minister here in this portfolio. I will come back to this but you can see the problem here. It looks like a fairly smart-alecy response to what was a fairly clear set of questions about your Minister. We do not appreciate that if that is the case. We want direct answers.

**The CHAIR:** We will have a look in the Committee. I have some questions. Ms Mackey, welcome to the role.

**Ms MACKEY:** Thank you.

**The CHAIR:** What is your reporting line within the new big cluster? How does that work?

**Ms MACKEY:** The EPA has an independent, non-executive board, so I have a number of reporting lines. One is to the chair of the board. As it is, it is the acting chair at this point in time. I also have a reporting line to Ms Levy, being the Coordinator-General in the Environment, Energy and Science [EES] group within the cluster. They are the two reporting lines that I have.

**Ms LEVY:** From a regulatory perspective, Ms Mackey reports through to the chair and the board and the Minister. I do not have any influence over the EPA or any of the decisions that the EPA takes in a regulatory sense. It is an administrative role in terms of making sure there is adequate resourcing, and I work with Ms Mackey and the EPA in terms of budget and resourcing predominately. Ms Mackey is part of the leadership team across Environment, Energy and Science.

**The CHAIR:** However, in response to that question, Ms Mackey responded that she reported to you, Ms Levy, and not to the environment Minister. That would be particularly unusual if that was the case, would it not?

**Ms LEVY:** Statutorily, the chair is the role that is identified within the Act as the role that reports to the Minister because we have done an administrative separation of those roles. The EPA chief executive reports through the chair and the board to the Minister.

**The CHAIR:** Formerly, before the machinery of government changes, the CEO of the EPA was also reporting to the Minister directly. Ms Mackey just informed the Committee that she is now reporting to you, instead of to the environment Minister directly, or is your evidence going to change, Ms Mackey?

**Ms MACKEY:** No, it is not going to change. I do have a number of reporting lines. As Ms Levy has said, with regard to the regulatory responsibilities, it is clear that there is now a split between the CEO and the chair and I have a reporting responsibility up to the chair in terms of those responsibilities. There are broader responsibilities as part of being an executive within the cluster and, for some of those responsibilities, I have a reporting line to Ms Levy.

**The CHAIR:** Ms Mackey, do staff from Ms Levy's office sit in on meetings that the EPA is holding?

**Ms MACKEY:** With regard to regulatory matters, no.

**The CHAIR:** What other meetings do staff from Ms Levy's office sit in on?

**Ms LEVY:** We do not sit in on any—Ms Mackey sits in on—

**Ms MACKEY:** I sit in on meetings that are part of the—

**The CHAIR:** Can you confirm that no staff member from Ms Levy's office has sat in on any issues meetings that the EPA has held?

**Ms LEVY:** I think there might be a joint meeting. We have joint issues meetings across the broad sector so that we are all aware of some common issues. They are simply what things are happening this week so that we are all live to key and current issues. They are not strategic.

**Ms MACKEY:** They are sharing meetings. They are sharing information that is helpful where there are crossovers in terms of what we do. I have only been in the role 18 days so I have only been to two or three of those meetings. I believe that at two of those there was someone else from within our group but not from Ms Levy's office.

**The CHAIR:** In relation to, for example, the obviously very important independent regulatory role that the EPA is there for, do all of those discussions take place in relation to issues—for example, Forestry breaches or potential coal seam gas pollution breaches, all of those types of issues—just with staff from the EPA and not with someone from the Coordinator-General's office?

**Ms MACKEY:** To my knowledge, it is certainly not the practice, and would not be something that we would be looking to do. There are very embedded processes within the EPA around how we manage issues around compliance within the particular expert teams, and then seeking advice across the EPA, so, for example, legal advice or investigative advice, depending on what the matter is. So there are a range of teams within the EPA that would deal with any one matter, but that is a matter for the EPA to deal with.

**The CHAIR:** Mr Gifford, considering you were acting in the role prior to Ms Mackey, can you confirm that that has been the case?

**Mr GIFFORD:** Yes, that is correct. From time to time we might have experts from other parts of either the EES group or the department more broadly support us in terms of their expert knowledge that might be of assistance in terms of investigation or determination of a particular pollution issue or incident. We are, obviously, supported by other parts of the cluster as well, so there are collaborative arrangements around how we best respond to some of those things but not with respect to the regulatory decisions.

**Ms MACKEY:** That consultation—and that is how I would couch that—and advice that we are seeking on particular matters is broader than the cluster as well. So, depending on the particular matter at hand, we would seek the appropriate advice, being very clear around the regulatory responsibilities we have around the statutory decision-making.

**Ms LEVY:** I might give some examples to help with that. So, for instance, the science division within the former Office of Environment and Heritage, now part of the Policy, Strategy and Science Directorate within EES, has a longstanding history of providing scientific work on behalf of the EPA. There is a memorandum of understanding between the EPA and the science division for that work that is conducted. A lot of that is business-as-usual research work but they might be doing sampling for specific incidents. They could work very closely

with members of the broader EES but that is a longstanding arrangement where that happens. There are other very complex issues like mixed waste organics outputs or PFAS where a whole-of-government perspective is brought to bear on some of these complex issues to understand where those issues are. For instance, Health, the Chief Scientist's Office, the Department of Primary Industries and many of us will be involved in collaborative meetings and discussions around some of these complex issues. The only formal arrangement really sits with that science division traditionally in terms of that input regularly into the Environment Protection Authority.

**The CHAIR:** The EPA is an independent statutory body whose role is so crucial. Has there been a change in the different cluster groups—if you like, the meetings that the chief executive officer particularly sits on—as a result of the machinery of government changes? For example, you are sitting in on meetings with, say, Forestry that you did not before as a result of these changes?

**Ms LEVY:** I think the changes that would have occurred is that the chief executive officer now sits on a broader EES executive team, so that is coming outside of that. That group did not exist before but there was not an executive team because there was no EES. The chief executive officer is a member of the leadership team of EES, so that is one change.

**The CHAIR:** Say you are looking into a potential Forestry breach, for example. Are you expected to go to those meetings—

**Ms LEVY:** No.

**Ms MACKEY:** No.

**Ms LEVY:** The main things that we are talking about there are broader operational issues. At the moment we are still looking at settling budgets across the group. We have been looking at our vision and objectives. We are looking at broad issues around staffing. It is the normal things that you are doing as a leadership team in terms of developing a plan on a page for the team. We do not ask Ms Mackey to report to us about any regulatory matters at that meeting. That is her being part of a collective leadership team to ensure that we have a shared set of objectives for how the Environment, Energy and Science group are acting as a cohesive group. I do not sit on Ms Mackey's leadership team meetings. We do not attend any of those regular leadership team meetings unless it was by invitation to come to speak to the group about issues. I think that may have happened once in the time since the machinery of government occurred. I went to one leadership team meeting by invitation.

**The CHAIR:** Ms Mackey, if you wanted to communicate directly with the Minister in relation to some of the cases you are working on how does that happen? Do you still go straight to him or do you go through Ms Levy?

**Ms MACKEY:** I absolutely have a direct line of communication with the Minister and his team. I meet with the Minister regularly.

**The CHAIR:** Has there been any directives or conversations issued to staff that staff of the EPA must collaborate more with the wider cluster, including Forestry?

**Ms MACKEY:** There are certainly messages in the EPA, as there are across the whole cluster, about utilising the full extent of expertise that exists in the cluster to help us have the best possible evidence and information when we are making decisions.

**The CHAIR:** Will you elaborate on what that means in terms of the EPA working with the wider cluster when you are making decisions? Will you provide an example of what that would mean in terms of Forestry?

**Ms MACKEY:** There is a range of parts of the cluster, including within Ms Levy's group, that play a role in terms of Forestry and the issues surrounding the regulation of Forestry. We have certainly sought advice from the science group to help us in managing some of those issues so that we have the best possible information. That is quite a recent example in the past few weeks.

**Ms LEVY:** An example of that might be mapping around koala habitat where the science team will be providing information through their mapping technology, and the aerial drone photography systems that they are doing to provide input to the EPA if it requests it in particular areas where they are looking at issues. That is usually upon request. This is good practice that we are collaborating just to share information to help make good decisions in both senses. Broader parts of our division would consult with the EPA to get input on issues that we are tackling to make sure we are taking the regulatory perspective on board when we are making other policy decisions as well.

**The CHAIR:** I am trying to work out how the EPA is still a strong independent body with these changes that seem to suggest you are just part of a cluster of agencies.

**Ms LEVY:** If I could address that. We have been very clear to the staff. I suppose the message is that they are still an independent body, it just does not mean you are isolated and that there are not conversations that happen. The EPA is still an independent statutory body. It still has its own independent functions, its Act and its reporting line through to the Minister. There are no changes to that. They were always part of a cluster. They were part of the Department of Planning and Environment [DPE] cluster. So in that sense nothing has really changed. There is a little bit of, sort of, machinations around it and an additional reporting line in there. The EPA was always part of the DPE cluster before that and now it is just part of the bigger Department of Planning, Industry and Environment cluster.

**The CHAIR:** Ms Mackey, I am aware you have said you are 16 days into the position. You report to the chair of the board and you report to Ms Levy. What do you report to the board compared to what you meet with and report to Ms Levy?

**Ms MACKEY:** As I explained, the board is a non-executive governance board. My responsibility to the board is around the running of the EPA as an organisation as well as there are explicit requirements under the Act in terms of particular regulatory decisions, particularly around some prosecutions which go to the board, for example.

**The CHAIR:** And to Ms Levy?

**Ms MACKEY:** No, not in terms of prosecutions or any other regulatory-based decisions.

**The CHAIR:** In answer to the very first question I asked you, you said you also report to Ms Levy. What do you report to Ms Levy. What are those meetings?

**Ms MACKEY:** We have only had a couple of meetings in the short time—

**The CHAIR:** In 16 days—

**Ms MACKEY:** where it has been the two of us. Those meetings have generally been around how am I settling in, my understanding of navigating the cluster and navigating what is a very new space for me. Certainly Ms Levy has an understanding of the portfolio and that has been helpful to me as well.

**The CHAIR:** Have you met with the Minister during this time?

**Ms MACKEY:** Yes, I have.

**The CHAIR:** My next question is to Mr Fleming in relation to bushfires, threatened species and protecting natural assets, if you like, from fire. At the previous budget estimates hearing, the Minister committed to come back to the Committee. He said he was looking at a plan to tackle the increasing threat of bushfires around the State, particularly in relation to rainforests and threatened species and rainforests that have never burnt before. What is that plan?

**Mr FLEMING:** I think he made the point that obviously our first priority is the protection of property and life. The fires have been ongoing, as you know, so that remains our highest priority. In a moment I will ask Ms Stephens to add to my answer but we are still in the process of preparing, for example, once it is safe to get into some of these fire zones to do whatever assessments are required to determine what the next steps are. That can be, depending on where, what we are talking about: Do we need to do more feral animal control or do we need to invest in some of the assets? There is a range of different mechanisms we can use to assess the damage and to identify what response is required. So that is the immediate answer. Would you like to add to that?

**Ms STEPHENS:** I would certainly confirm what Mr Fleming said that we are very much still in the phase, as you know, of responding to fire. At the moment most of our resources are very, very focused on responding to a situation which appears to be escalating. In terms of our long-term response, we do have a strategy, which is an overarching document, that guides fire management in National Parks in New South Wales. We have a planned review which is just commencing. Part of the focus of that review will be this question because clearly it is a long-term issue and one that we need to look at strategically as well as the short-term responses that we have just articulated.

**Ms LEVY:** The fire season has started early and it has meant that resources have had to focus on active fire fronts.

**The CHAIR:** Just so I can get my head around it, for example, at the moment if there is a biodiversity conservation trust, a very important piece of land that is protected as a biobank for habitat—say, a koala habitat—that is destroyed elsewhere, is that treated as a net asset in any way at all when a fire front comes, recognising that life and property need to be protected? Are there any strategies in terms of protecting natural assets at the moment?

**Ms STEPHENS:** There are two forms of plans in place in New South Wales. One is a cross-tenure plan, which is put together by the bushfire management committees. Under those plans, natural assets are also identified. But clearly when we are dealing with wildfire, life and property always have primacy. In any situation there would be regard given to those plans. We also have reserve fire management strategies that deal specifically with National Parks reserves. In those plans, we identify conservation values and we also identify strategies for protecting those values. But in a case such as what we have been dealing with so far this fire season, where we have had fire behaviour that has been completely out of the box, I think there has been a lot of regard given to life and property and unfortunately conservation values have probably been secondary.

**Mr FLEMING:** To answer your question, our fire management planning certainly takes into account where the high-value conservation assets are. But once you get into the operational aspects of fighting a fire the immediacy of that shifts the priority to life and property. I hope that answers your question.

**The CHAIR:** Yes. It answers my question in terms of what the Government is doing now. However, the wildfires have of course burnt through. I have heard from a lot of people on the ground who have significant wildlife sanctuaries and biodiversity conservation trust properties who are quite concerned by what they feel is a complete ignoring of the values of their property to back-burn, if you like, hundreds of hectares to protect some property a fair way away.

I know that it is a very contentious issue and you do not know on the ground what each particular situation is. However, there are a lot of people extremely concerned at these fires, at what has been lost and the fact that natural assets do not seem to be taken into consideration at all. In response to this line of questioning at the last estimates hearing, the Minister did say that he was aware of that and was looking into plans. The question is: That is what is happening now. Now that you have explained it, have there been discussions within the department about assessing what more can be done in these situations to protect really valuable natural assets?

**Ms STEPHENS:** I think it is important to note that the fires to date have in the main been under the control of the Rural Fire Service. They have been declared emergencies under section 44, so the lead for those fires has been the Rural Fire Service. I think we would repeat that at the moment we have very few resources that we are able to put into thinking about those sorts of questions because the people who work in our fire incident response and management branch, who would normally be putting their minds to those questions, are coordinating resources and working with the Rural Fire Service and State operations on a day-to-day basis to just manage the crisis that we seem to be in.

**The CHAIR:** Thank you. I appreciate that. I will come back to it.

**The Hon. ADAM SEARLE:** Ms Levy, questions 73 to 76 I think you indicated were across the whole-of-government responses. I do not expect you to answer it here and now but I am really asking those questions specifically in relation to Minister Kean.

**Ms LEVY:** I understand. I note that I have been advised that they were prepared by the Department of Premier and Cabinet [DPC] as a collective answer across government and all were provided—

**The Hon. ADAM SEARLE:** Yes, but I think the DPC might have missed the point that these were supplementary questions directed to the Minister.

**Ms LEVY:** I certainly take your point and will take it on board to provide that feedback.

**The Hon. ADAM SEARLE:** Thank you. I again re-ask questions 80 to 89, which I think have been answered in the same way, presumably by DPC. Again, we re-articulate those questions in relation to the Minister's particular circumstances. I look forward to your feedback.

**Ms LEVY:** We will certainly provide it, Mr Searle.

**The Hon. ADAM SEARLE:** Thank you.

**Ms LEVY:** Mr Hay is here, by the way, if you had not noticed and wanted to revert to energy questions, Mr Searle.

**The Hon. ADAM SEARLE:** Yes, I think I only had a small one. In relation to supplementary question 61, the indication was that to date the Government has spent \$280 for search engine marketing for the seniors energy rebate. Is that a correct figure—less than \$300?

**Mr HAY:** I am advised that figure is correct.

**The Hon. ADAM SEARLE:** It says additional promotion will commence in November 2019—I think that is tomorrow. What is the additional promotion and how much is it going to cost?

**Mr HAY:** I would have to take that on notice. I do not have the details of that.

**The Hon. ADAM SEARLE:** I look forward to reading on notice what you have to say about that. Mr Cleland, last time you were here we were discussing the organisational reshaping consultation briefing of July 2019 and the projected workforce changes. I think we were talking about the 182 jobs that are the subject of the draft ministerial ruling. That ruling did not extend to the further 400 job reductions between now and 2024. Is that correct?

**Mr CLELAND:** Correct.

**The Hon. ADAM SEARLE:** I think you were saying that those proposed 400 job reductions would save the business about a quarter of a billion to 2024. Is that correct?

**Mr CLELAND:** In direct costs.

**The Hon. ADAM SEARLE:** In direct costs, yes. In a lot of economic modelling, if you are looking at financial impact you look at a multiplier of seven. So if you are taking about a quarter of a billion out of regional economies between now and 2024 that could have an effect of about \$1.7 billion out of regional economies. That would be a pretty big hit to the bush during this current time of drought, would it not?

**Mr CLELAND:** In direct terms, yes, though it needs to be looked at in terms of the overall reduction in charges that has been achieved and will be achieved. The cumulative impact of the reduction in charges on account of business reshaping since 2012-13 is in the order of \$5 billion. At present the annual total distribution charges are \$683 million less than they would have otherwise been had none of these reforms been entered into. So whilst I accept the mathematics of what you are saying, I believe it is a narrow prospective in a much broader issue. The multiplier effect of the very significant reductions achieved over that time and the further reductions forecast has an enormously positive impact on the economy of rural, regional and remote New South Wales. When I mentioned \$683 million per annum, that equates to \$452 for each residential customer and over \$2,000 for business and commercial customers, on average.

**The Hon. ADAM SEARLE:** But still, in terms of the wages of those employees, that would nevertheless be a lot of money out of those local economies.

**Mr CLELAND:** Yes. I will repeat the point I made at the last hearing. Essential Energy's network footprint supports some 677,000 jobs, all of whom work for businesses that are reliant on reasonably priced energy to compete to generate acceptable returns and to survive. There is a forecast increase of 40,000 jobs across our network footprint over the next five years. Clearly the multiplier impact of reductions in distribution charges achieved through the reshaping of the business and operating more efficiently has had and will continue to have an enormously positive economic benefit.

**The Hon. MARK BUTTIGIEG:** I do not understand the logic of the last bit of the answer. You say 40,000 extra jobs across the network. What do you mean by that?

**Mr CLELAND:** When we have studied the employment within our network footprint there is a forecast for a further 40,000 jobs over the next five years. Those 40,000 jobs—

**The Hon. MARK BUTTIGIEG:** Meaning work jobs, as opposed to fulltime employment equivalent, is that what you mean? Forty thousand jobs is a lot of people to employ.

**Mr CLELAND:** In addition to the 677 currently in employment in our network footprint, there is a forecast indicating there will be a further 40,000 over the next five years. For that forecast to be achieved a number of things have to happen, one of which is that energy costs to each of those businesses and consumers has to be at a reasonable level. So my position is that every effort taken to reduce distribution charges has a—

**The Hon. MARK BUTTIGIEG:** Could I just cut to the chase? Are you saying the multiplier effect on regional economies by virtue of reduced input costs to the consumer—\$400 per bill or whatever it is—would be greater than the loss of jobs forecast by Essential Energy over the next regulatory period?

**Mr CLELAND:** The labour costs constitute roughly 45 per cent to 50 per cent of our cost base, and so the business reshaping has not just been focused on labour. We have achieved benefits beyond the direct labour costs by operating the business more efficiently, doing less work on the network, being more targeted in the work we do. And, yes, I am arguing—or my position is—that the impact of that has been very, very significant on the economy we serve.

**The Hon. MARK BUTTIGIEG:** On what modelling is that judgment based? Do you have economic modelling to suggest that is the case?

**Mr CLELAND:** No, I am just looking at the pure numbers.

**The Hon. ADAM SEARLE:** This is your assessment?

**Mr CLELAND:** The \$683 million per annum in lower distribution charges, compared to what they would have otherwise been had we not reformed, and the cumulative impact of \$5 billion back into the economy by way of lower charges over the last 10 years.

**The Hon. ADAM SEARLE:** Going back to the Hon. Mark Buttigieg's earlier point, the 40,000 jobs, is that 40,000 fulltime equivalent positions or is that just 40,000 of differing sizes, shapes and degrees of engagement?

**Mr CLELAND:** I presume it is 40,000 jobs of different sizes and shapes.

**The Hon. ADAM SEARLE:** You do not know how many fulltime equivalent positions that would be roughly?

**Mr CLELAND:** No. I would have to double-check that.

**The Hon. ADAM SEARLE:** If you could, that would be interesting.

**Mr CLELAND:** Sure.

**The Hon. ADAM SEARLE:** In relation to our previous discussion about the draft ruling, what further discussions have you had with government or further feedback have you received from government around when the direction will be finalised or when the Government will finish its thinking around whether it is going to fund the 182 jobs that you may not be allowed to cut?

**Mr CLELAND:** There has been essential consultation or discussion between Essential Energy and various parts of government. I can confirm that a further draft of the direction was provided to Essential Energy today and we are in the process of reviewing that.

**The Hon. MARK BUTTIGIEG:** While my colleague is on that point, I have just made inquiries with the secretariat. The secretariat is not in receipt of that draft direction which you undertook to give. Something has happened here. Are you in a position to table that document today, the original draft direction?

**Mr CLELAND:** No, I am not Mr Buttigieg.

**The Hon. MARK BUTTIGIEG:** I am at a bit of a loss as to what has happened because they are very efficient and they say they have not received it.

**Mr CLELAND:** I will have to take that matter on notice because the information in front of me clearly states that we did provide it to the department.

**The Hon. MARK BUTTIGIEG:** Who has provided you with the information to say that that has been provided?

**The Hon. ADAM SEARLE:** Which department?

**Mr CLELAND:** It was provided to the Department of Planning, Industry and Environment and it was provided by people within Essential Energy.

**The Hon. ADAM SEARLE:** No, just to be very clear. You have provided the draft ruling to the department, and you thought the department would provide it to budget estimates here?

**Mr CLELAND:** All of our supplementary responses were provided through the department.

**The Hon. ADAM SEARLE:** Ms Levy, can you explain why we do not have the draft ruling that Mr Cleland—

**Ms LEVY:** No, I cannot, but I will take on board to get that answer to you before the end of the session.



**The Hon. ADAM SEARLE:** While you are at it, we would also like to see the draft ruling that arrived today, so we can have a look at it. I assume there are no problems with giving the undertaking that that will be forthcoming?

**Ms LEVY:** We will take that on notice.

**The Hon. MARK BUTTIGIEG:** I have to say, for something that was made quite clear during the previous hearings and was an essential piece of information, to come back and tell us now that we are not sure where it is, is disappointing to say the least. I ask you, Mr Cleland, to summarise what was in the original draft direction again for us. I think last time you used words to the effect that there were 182 jobs for roughly a period of 12 months which would be foreclosed as a result of the Government's policy on no regional job losses. Was that the gist of the direction?

**Mr CLELAND:** Not exactly. What the draft direction stated was that from the date of the direction until 20 August 2020 Essential Energy would be effectively precluded from terminating the employment of any person in a regional community by way of redundancy.

**The Hon. MARK BUTTIGIEG:** By way of forced redundancy?

**Mr CLELAND:** No, by way of redundancy—full stop. So that by implication covers forced redundancies and voluntary redundancies.

**The Hon. MARK BUTTIGIEG:** Can you tell us whether or not there have been any redundancies that have been accepted since the last hearings or over that period?

**Mr CLELAND:** Since the date of the announcement of the direction there have been 59 redundancies processed within Essential Energy across our network footprint.

**The Hon. ADAM SEARLE:** So the horse has kind of bolted on the 182—60 have already gone.

**Mr CLELAND:** Those 59 were situations where we had an obligation under the enterprise agreement and a legal obligation, having offered the employee or indicated to the employee they would be made redundant, to proceed.

**The Hon. MARK BUTTIGIEG:** To be fair to you, my understanding is the union was not going to stand in the way of that—

**Mr CLELAND:** Correct.

**The Hon. MARK BUTTIGIEG:** —because it is a voluntary arrangement. What is of more interest to us is whether or not, given the Government's draft direction, those positions have been backfilled, or will be?

**Mr CLELAND:** To date, none of those positions have been backfilled.

**The Hon. MARK BUTTIGIEG:** Do you consider that to be in accordance with the Government's wishes, given what you have just told us?

**Mr CLELAND:** The direction simply states that we should not terminate the employment of employees by way of redundancy, and then it stipulates unless there is a legal obligation to do so. That is exactly what we have acted in accordance with.

**The Hon. MARK BUTTIGIEG:** You acted in accordance with the strict letter of the law. Do you consider that to be in the spirit of what the Government is telling us they want to achieve, which is no regional job losses?

**Mr CLELAND:** I can only respond to that by saying we have acted in accordance with the law and in accordance with the draft direction.

**The Hon. ADAM SEARLE:** But that is the point, is it not, it is a draft direction? It is not legally binding on you presently. This is not an actual direction from government.

**Mr CLELAND:** But, Mr Searle, we have at all times acted in a manner consistent with it being legally binding on us, on the assumption that it ultimately will be once approved by the Expenditure Review Committee [ERC] in Canberra.

**The Hon. ADAM SEARLE:** Are you able to tell us in what way the most recent iteration of that differs, whether it is fundamental or just at the margins?

**Mr CLELAND:** No, it is just at the margins.

**The Hon. ADAM SEARLE:** Ms Levy, we are very concerned—this is not a criticism of Mr Cleland, he has provided material to the department to provide to us. Again, it is not very satisfactory that you cannot give us an explanation about what has happened

**Ms LEVY:** I have got the team looking into it as we speak. The search has shown that they cannot find it. It would have been a question on notice, I take it. Do you have a reference for me that I can check, Mr Searle?

**The Hon. ADAM SEARLE:** It is at the most recent version of the transcript of Energy and Environment, Friday 13 September, page 43. At the top it says:

**Mr CLELAND:** We will take that request on notice. But, yes, we can furnish the Committee with a copy of the letter.

And then there is a square box.

**The Hon. MARK BUTTIGIEG:** It was dated 22 August, the draft direction provided by Mr Kean.

**The Hon. ADAM SEARLE:** If you look at the yellow highlighted versions provided by the secretariat, it is quite clear that Mr Cleland took on notice that he would provide a copy of that draft direction. Mr Cleland on his oath today has told us that he provided that to your department.

**Ms LEVY:** Okay. I am having—

**The Hon. MARK BUTTIGIEG:** You appreciate that this sort of incompetence undermines the integrity of this process. This was the subject of extensive media commentary at the time. We raised it, we asked for the document, and now we do not have it. In terms of the final direction, Mr Cleland, can you enlighten us as to why the Minister has not issued that yet? This has been going for a couple of months now, and we are still in draft mark two mode. The people in those regional communities want certainty. If they have not got a final direction, which gives it the legal status that my colleague just outlined, then what does that say about the Government's intentions? We are concerned to know why that has not happened. Have you got any idea as to why it has not happened to date?

**Mr CLELAND:** Mr Buttigieg, my understanding is that the timing of the ERC consideration of this matter is yet to be determined and I probably cannot comment further than that. Again, as the Treasurer withdrew his undertaking to come to budget estimates supplementary hearings at 7.30 a.m. a couple of days ago, we could not ask him. So we are looking forward to this material.

**The Hon. MARK BUTTIGIEG:** In terms of the 12 months that you outlined last time, which was the flavour of the original draft direction, has there been any discussion on extending that period beyond 12 months between yourself and the Government?

**Mr CLELAND:** I am not aware of any specific discussions on that matter.

**The Hon. MARK BUTTIGIEG:** I just want to clarify something that my colleague Mr Searle touched on before in terms of the extra quantum of jobs. There was the 182 and then on top of that there seems to be a bit of confusion—I would just like you to clear it up—over whether it is 400 plus 182 or 500 plus the 182. I think the strategy document indicates 500, but in your previous testimony I think you said 400. Could you clarify that for us?

**Mr CLELAND:** There are a variety of numbers in the public domain on jobs at Essential Energy. Let me say this. As at 30 June, we had just over 3,000 employees. So with the 182, which included some who have already left the organisation, it would have since been reduced to approximately 2,900. Then, as I said at the last hearing, I have been very clear in stating, in a range of forums, that our objective or intention is to reduce the overall headcount to around 2,500. So I am simply saying 2,900 to 2,500 is approximately 400 in addition to the 182, as the number publicised back on 2 July.

**The Hon. MARK BUTTIGIEG:** So, notwithstanding the fact that the strategy document clearly implies 182 plus 500, your view is that it would have been—and it could very well still be—182 plus 400.

**Mr CLELAND:** My position is that we have been consistent in stating that the objective or the plan is to operate the business at around about 2,500 employees, as of sometime in 2024.

**The Hon. MARK BUTTIGIEG:** Can you tell us whether or not the Essential Energy board has recently met?

**Mr CLELAND:** The Essential Energy board meets generally on a monthly basis.

**The Hon. MARK BUTTIGIEG:** You would attend those board meetings, wouldn't you, and report as the CEO?

**Mr CLELAND:** Indeed I do.

**The Hon. MARK BUTTIGIEG:** Can you tell us when you attended one of those meetings?

**Mr CLELAND:** The last meeting of the board was Tuesday of this week.

**The Hon. MARK BUTTIGIEG:** In relation to the subject matter we have just been traversing, can you enlighten us as to whether or not discussions were had regarding the apparently temporary nature of the job guarantees for those 182—the 12 months—and what would happen beyond that for the extra 400 we have been talking about? Were discussions had about any of this sort of thing?

**Mr CLELAND:** I do not believe it would be appropriate for me to make any comment whatsoever on discussions that went on within the Essential Energy board meeting. That is a matter for the directors.

**The Hon. MARK BUTTIGIEG:** Has there been any dialogue along those lines, either with the Government or with the board? It is a general question—yes or no.

**Mr CLELAND:** There have been a raft of discussions with all parties relating to these matters, as you can appreciate.

**The Hon. MARK BUTTIGIEG:** So if I am talking to Essential Energy worker X out at Port Macquarie tomorrow I cannot tell them whether or not their organisation is engaging with the Government over their job security, because all we have is mark two draft, no certainty on the final direction being issued and no ministerial pronouncements about anything beyond 12 months. We are where we were, essentially, six to seven weeks ago, aren't we? This is not a criticism of you, Mr Cleland. I am trying to ascertain how serious the Government is about this and whether or not they have communicated with you as to what they want done.

**Mr CLELAND:** I can only restate our position—that we are acting entirely in accordance with the draft directions hearing.

**The Hon. MARK BUTTIGIEG:** Can you tell me whether or not, given the Government's intention, Essential Energy has started to contemplate measures that would realign the business to meet what appears to be, at least superficially, a desire by the Government to forestall those job cuts? In your world, pre the pronouncements of Minister Kean and Minister Barilaro, you were slating, we will call it, 582—400 plus the 182—in order to align yourself with the cuts in the regulatory period 2019 to 2024. You have now had Government policy coming over the top to secure regional jobs. What discussions have you had or what strategy meetings have you had to realign the business to meet that policy setting?

**Mr CLELAND:** I will make two points. The first is that we have done an extensive amount of analysis on the likely cost to the business of this direction and the change that it implies. The second is that we are working, as we speak, to prepare a report for government—which will, as I said last time, be provided prior to the end of this calendar year—on alternative savings measures or alternative strategies within the business, given the direction.

**The Hon. MARK BUTTIGIEG:** Can you outline what some of those strategies are starting to look like?

**The CHAIR:** Order! You are out of time.

**The Hon. MARK BUTTIGIEG:** My apologies.

**The CHAIR:** I will go back to bushfires, if I can. Recognising the previous responses in relation to having to wait, go in and assess and work out the extent of loss in relation to rainforest and other natural assets, is the department discussing plans to regenerate, for example, rainforest that has been lost to fires over the last couple of months?

**Ms LEVY:** It is very early days. We will certainly look at any remediation issue—

**The CHAIR:** So if there are significant tracts of Gondwana rainforest that have been lost—people on the ground are suggesting that that is the case—has the department discussed the need for regeneration?

**Ms LEVY:** Not as yet because at the moment our priority is on the active fire front. We have not been able to go in and assess the impact as yet.

**Ms STEPHENS:** We have some sense of how many hectares may be affected but we have no idea what the actual impact is. No-one has been able to go in and have a look, so we are really very much in the early days of considering any question like that.

**The CHAIR:** In the past if areas like that have burned—and areas that have been put aside for Biodiversity Conservation Trust funding as well—and the habitat that they have protected is lost, has that historically taken away from the amount of area that is listed as protected, if the Government has protected these numbers of tens of thousands of hectares? Everyone is shaking their head.

**Mr QUIRK:** No. In terms of parks, it does not change the tenure, and I think there is—

**The CHAIR:** The habitat, though. I am aware that it does not change the tenure, but the Government likes to say that there are tens of thousands or hundreds of hectares of this endangered ecological community protected in parks. These fires, you will admit, may seriously create a bit of a dent in some of that data.

**Mr QUIRK:** There are two bits about that, that I think we need to reflect on. We will do the work. While there are areas burning now that may not have burnt before, that has happened before. So even if you go to Mount Hyland—and I know Mount Hyland well—most of those rainforests still have emerging eucalypts in them, which points to fire in the history of those landscapes. Humans tend to react in a very short-term sense to fire—which is natural—whereas fire has been part of the Australian landscape for thousands of years. We will see these things ebb and flow. We have had much bigger fire years than this year in the service's history and we will probably see bigger ones again. So it is not that we enjoy it, but—

**The CHAIR:** Not by the end of October, probably, though. You are saying "this year" as though—

**Mr QUIRK:** Yes, but it is still early in the season. We could have a very big year, there are no two-ways about it, but I think we do need to acknowledge that fire is very much part of the Australian landscape. Australian vegetation is adapted to it, rainforest is not. It is interesting, there have been lots of conversations around the shifting vegetation types of fire over many years.

**The CHAIR:** I am very aware of the nature of fire and the Australian landscape. It is more a question of the type of fire we are seeing and the response from parks in relation to some of this very important habitat perhaps being lost.

**Mr QUIRK:** We will go through the process of a burnout area assessment team assessing the impact. That will need to be documented.

**The CHAIR:** At the previous budget estimates, I think that very day he announced the new mapped koala hubs.

**Ms LEVY:** The spatial information of koala habitat, yes.

**The CHAIR:** Yes. Are you aware of the impact of these recent fires on those mapped areas?

**Ms LEVY:** We know broadly where the fires have occurred and in some instances where that may overlay, but we have not been able to, as we said, get in and assess the level of impact. It is too early for us, unfortunately. We would love to be able to give you the answers, it is not that we want to hide them from you, because we are equally concerned about the loss in terms of habitat, national park and conservation areas. We just have not been able to get in to do those assessments yet. We can give you some broad numbers. I can tell you that we believe that there is 160,000 hectares of parks and reserves that have been affected by wildfire. We know that there is potentially up to 7,000 hectares of Gondwana World Heritage area affected. How much each of those areas have been affected and whether it is total annihilation of habitat or partial, we cannot tell you that until it has been declared safe for us to go in and do those assessments and when we have the resources to do it. It is the same people that would be going in to do those assessments who are currently fighting active fires. When we can, we will do those assessments and we will be transparent with them. We just do not have the information to give you yet, unfortunately.

**The CHAIR:** That may be quite some months down the track that is sounding like.

**Ms LEVY:** If the season is as bad as we think it is going to be, certainly the primacy of where our resources are going to be directed is going to be on active fire management and that is an unfortunate reality.

**The CHAIR:** I have some questions around the Government's Koala Habitat Information Base from a different perspective. Is it capable of providing a regulatory map for koalas on private property in New South Wales?

**Ms LEVY:** Ms Dumazel, are you able to answer that?

**Ms DUMAZEL:** The koala information base at the moment has not got a regulatory impact. What it is going to be used for is to inform the review of State Environmental Planning Policy [SEPP] 44.

**Ms LEVY:** And how that will take effect within SEPP 44 is still being determined.

**The CHAIR:** It certainly has mapped koala habitat on private property?

**Ms LEVY:** Yes, it has mapped it across the State.

**The CHAIR:** There is apparently quite a big discrepancy in the EPA adopted koala regulatory model for State forest harvesting in Braemar State Forest as against the Department of Primary Industries [DPI] modelled layer for the same area. Can someone inform me as to why there are such discrepancies in those two models?

**Mr GIFFORD:** I think I can perhaps help with the answer and then we might need to take some of that on notice. The koala habitat mapping that was developed by the EPA went through a series of stages of review and was an iterative process. It had expert advice. The Department of Primary Industries mapping was a component of that and the maps were refined based on the ground fieldwork that EPA and other scientists did. Without seeing exactly what maps you are referring to, I expect that what we are talking about here are earlier versions of the final maps that were developed as a result of quite an extensive piece of work to map koala habitat for the purposes of the integrated forestry operations approval [IFOA] conditions.

**The CHAIR:** If there is a discrepancy between the two, you are saying the koala habitat information is not regulatory at the moment, so that discrepancy just does not get considered?

**Mr GIFFORD:** No, not at all. The mapping that we have done, which is publicly available on our website, is continuing to be reviewed and adjusted with new data and information.

**Ms DUMAZEL:** Our scientists who have developed the information base are regularly updating the information. I think this is one of the benefits of it being made public as well, because we are trying to continue to inform that base. There are a couple of aspects as part of that as well. Having the information base allows us then to build on that. Our scientists are continually adding to that information base—for example, some of the work that is being done around the surveys, some of the work that is being done with local community groups around the local koala populations. The more information that we find, the more that that information base will grow and develop.

**The CHAIR:** What is being done to mitigate the risks posed to animals from bushfire within the Pilliga, Mallee Cliffs and Sturt national parks?

**Mr QUIRK:** The contracts we have with the two providers, Australian Wildlife Conservancy [AWC] and the University of New South Wales, have quite detailed arrangements where the proponents need to be able to provide us advice on how they are going to provide fire protection and we approve those fire management strategies. Each of our reserves in New South Wales has a fire management strategy that deals with threat and risk. For those sites we had to modify those strategies in cooperation with the contractors to basically identify how we would do it in those sites. The fenced areas have quite large clearings either side of them to protect the fences, so there is an immediate boundary around the fence. There is normal fire management practice outside the fence.

**The CHAIR:** When you say quite large clearings, what are we talking?

**Mr QUIRK:** It is 15 metres either side.

**The CHAIR:** Both sides?

**Mr QUIRK:** Both sides.

**The Hon. PENNY SHARPE:** Thirty metres across?

**Mr QUIRK:** Thirty metres wide, yes. That is around the fact that in most situations they are driven both sides and they are checked regularly. You are also trying to deal with tree fall. It is a little bit like any of these events, there is a lot of investment in getting the fence up and there is a lot of investment in keeping foxes and cats out. You do not want a tree to fall on a fence. You do not want an impact that breaches the boundary.

**The CHAIR:** How high are the fences again?

**Mr QUIRK:** Three metres, roughly.

**Ms LEVY:** No.

**Mr FLEMING:** Six feet.

**Mr QUIRK:** Six feet.

**Ms LEVY:** No, they are more than six feet.

**Mr FLEMING:** They are approximately six feet tall. Just to correct, I scribbled 15 metres in total, so I think they are between a five and 10 metre clearing on each side of the fence.

**The CHAIR:** Clearing on each side, yes.

**Mr FLEMING:** You are talking between 15 and 20 metres total.

**The CHAIR:** Who were the individual proponents, contractors?

**Mr QUIRK:** It has been interesting, we are the proponent. If you go back, a government went to market and asked for companies to come forward and provide services. There was an expression of interest. A range of people applied to provide those services.

**The CHAIR:** Which services? Do you mean just fence constructing?

**Mr QUIRK:** No, the complete program.

**Ms LEVY:** Management.

**The CHAIR:** Managing the entire park?

**Mr QUIRK:** To construct fenced enclosures, to remove feral animals and introduce species into those enclosures. There is also a component in two of the contracts, not the third one, to provide general park management services outside the fence, which is what you are touching on.

**Ms LEVY:** For example, the Sturt desert area, they manage that region of the national park beyond the boundaries of the fence, because it makes sense in such a remote area.

**The CHAIR:** The bushfire risk, that six feet of wildlife enclosures around—

**Mr QUIRK:** Sorry, that is not the sole strategy. The strategy is like all the areas, there is a fire management strategy which will have a range of asset protection zones and strategic fuel management zones where we will manage hazard outside the boundary and inside the boundary. The question you raise, which I think is underneath the question, is we are all acutely aware of the particular risk of fence enclosures and what that might mean for wildlife. All of the providers have undertaken their own training, their staff have developed firefighting skills, they have vehicles, and we are still active in those landscapes as well. We have not backed away from them. We are still involved in firefighting onsite but they have got an immediate response capacity because they are on location.

**The CHAIR:** You said you contracted out for services such as the fencing and introducing the wildlife. Then is it an ongoing monitoring and overall service that they are providing in terms of caring for the park over a certain—

**Ms LEVY:** It is generally 10 years.

**Mr QUIRK:** It is a 10-year contract that we currently sign.

**The CHAIR:** What is the role of National Parks—anything?

**Ms LEVY:** The client, I suppose, they have engaged them to provide the services. So there is some level of overview that the department provides.

**The CHAIR:** It is like a private service provider is running this wildlife enclosure within an existing national park. You have different staff operating, caring for the little privatised creatures compared to the—

**Mr QUIRK:** They are not privatised creatures.

**Ms LEVY:** They are not privatised. The land is still owned by government. They are providing a service to us in that they have constructed the infrastructure and are providing the maintenance. There is track clearing around those and checking the fences.

**The CHAIR:** Once the infrastructure was established—I am trying to think of the threatened species that are being reintroduced.

**Mr QUIRK:** Bilbies, for example.

**The CHAIR:** What was the barrier to then allowing National Parks staff to continue, as they do for all other parks, to provide their services and act as rangers within those enclosures?

**Mr QUIRK:** I should be honest, I came in after the process. But the decision that was taken by government at the time was that they wanted to get expert processes. If you look across Australia there is a number of groups that have been actively involved in reintroduction and there is an agency. It was not a skill set that we had. So there are two options for government: we either develop that skill set in terms of fenced enclosures or intensive animal husbandry, because there is quite a lot behind ensuring genetic diversity—sourcing animals, getting them onsite—there are a number of providers around who have that expertise and experience. If you look across Australia, most State government-protected area agencies have often worked in partnership with NGOs and the view of government was that we go to market and find a provider. In the end we found two that we worked with.

Your point earlier is interesting: Where do we sit? We are technically the client in a contract. I must admit I say to our staff all the time we are partners, it is a joint project. The physical assets, because they are built on park, we now own those assets. It is just like any physical item. The native animals are owned by the Crown, as all native animals in New South Wales are. We work together on what is essentially for the government at the time a trial. It was like this is an area of science around endangered species where basically New South Wales was probably the last State to invest in significantly. It was an attempt to run that program in New South Wales, introduce those species and see how we went.

**Mr FLEMING:** Can I add one general comment? The policy setting behind it, if you like—and I am just taking a high-level view—there are at least six mammals that would be extinct now except for feral-free areas. I think there is a broad scientific consensus that having large feral-free areas, both islands and mainland islands, if you like, is not the full answer but is a critical part of the solution if we are going to save species from extinction and rebuild populations. So it is important but it is only a part of the overall picture.

**The CHAIR:** I think I am supportive of the concept. I understand the science behind it and I understand the extraordinary threat and numbers of feral animals. I suppose it is just the opportunity cost, if you like, of the funding going into wildlife enclosures and privatising essentially these services at what should be and could be National Parks jobs as well as the opportunity cost of funding that should go into feral animal abatement within the broader government expenditure. Remind me of the overall land size that we are talking about for each wildlife enclosure that we have protected this way.

**Ms LEVY:** We will get that number for you. I think it is just over 100,000. One point I would like to make is that we do not refer to them as enclosures. The whole purpose of the fence is to exclude feral animals from those areas. So the more accurate term would be an enclosure.

**The CHAIR:** Sure but they are certainly enclosed if a fire takes place inside. They are certainly enclosed then, are they not?

**Ms LEVY:** They are but, for instance, there are areas where it is identified that we would reintroduce quolls. Quolls would be able to climb over that fence. Because of the floppy top they can get in that way but the cats cannot get back in. There are some animals though I would concede absolutely would not be able to navigate the fence. There are some one-way doors in some of the enclosures that mean there are opportunities. Over time we are looking at a range of issues. The issue about why the services were outsourced was that it was not sort of core Parks business to manage in such an intensive way. This was a new issue. We would hope that over time—as Mr Quirk mentioned, this is a partnership that we are working with both the university and with the AWC to achieve these outcomes. Going forward in future models, we may look to developing the capacity and the capability within Parks to deliver these services or we may continue—

**The CHAIR:** Also, if it is a new field of conservation, that would make sense in terms of skilling up. There was obviously a proposal of some sort that went to the Minister in relation to these wildlife enclosures or enclosures or feral animal enclosures as being a good idea. Did that proposal also include a cost-benefit analysis, if you like, of the money spent on saving these species compared to the money that the Government could be spending on feral animal eradication? Was that provided?

**Ms LEVY:** I do not know if Ms Dumazel was around when the proposal was prepared or part of it. If not, we may have to take that on notice.

**The CHAIR:** Nobody was.

**Ms LEVY:** I can answer the question about the area. It is 180,000 hectares across the three areas that are part of those feral-free enclosures.

**Mr QUIRK:** The area inside the fence, we separate the two, so that includes areas outside the fence obviously. The fence enclosures, there is a 5,000 hectare enclosure in the Pilliga, 10,000 hectares-plus in Mallee Cliffs inside the fence, and then the Sturt one is 2,000 hectare enclosures.

**The CHAIR:** The figure before was that all the parks—

**Mr QUIRK:** Which is the surrounding areas, yes. It is a much larger area.

**Mr FLEMING:** Can I add very briefly, if you look across Australia where this model has been used it has often been in partnership. In Queensland, their major feral-free area is in partnership with the bilby fund in South Australia. Arid Recovery is a community-based group. I am pretty sure that the project in Canberra is a community-based group. It is almost the norm for this to be a partnership model across Australia.

**Mr QUIRK:** Both contracts include in-kind and cash contribution from the partner. So it is not all one way. Both organisations we work with have brought resources specifically to the table over and above the offer from government.

**Ms LEVY:** Very quickly, I have an answer on the Essential Energy letter.

**The Hon. MARK BUTTIGIEG:** Thank you.

**Ms LEVY:** Essential Energy did provide the draft letter to the department. The Minister's office advised that it was Cabinet-in-confidence because its purpose was to help inform deliberations of the Expenditure Review Committee regarding compensation for Essential Energy and that that original remains Cabinet-in-confidence and cannot be provided. Legal advice is being sought on whether the second letter would also be Cabinet-in-confidence and cannot be provided.

**The Hon. MARK BUTTIGIEG:** Is there any reason why that Cabinet-in-confidence privilege was not communicated to the Committee as an excuse as to why it was not tabled?

**Ms LEVY:** It should have been, I admit. If that was the reason we did not provide it, we should have given you that advice.

**The Hon. MARK BUTTIGIEG:** Thank you.

**The Hon. PENNY SHARPE:** We will come back to that. It is pretty extraordinary, having made a commitment to provide a document to do that. Can I just clarify in relation to that, all of the answers that you provide go to the Minister's office and they provide the final response, do they not?

**Ms LEVY:** That is correct.

**The Hon. PENNY SHARPE:** Ms Levy, are you aware why the Minister is not available today to come to the Committee hearing?

**Ms LEVY:** I am not aware, no.

**The Hon. PENNY SHARPE:** Have you had any conversations with him about that?

**Ms LEVY:** As to why? No, I have not.

**The Hon. PENNY SHARPE:** I want to ask some questions about PFAS at Tweed Airport.

**Ms LEVY:** Mr Beaman, I would suggest.

**The Hon. PENNY SHARPE:** I suspect that is Mr Beaman. You are, obviously, aware of the PFAS contamination concerns at Gold Coast Airport?

**Mr BEAMAN:** Correct.

**The Hon. PENNY SHARPE:** Are you able to let us know what testing has been done and where that is up to?

**Mr BEAMAN:** I would have to take that one on notice because that is one we are working on jointly with our Queensland counterparts and Airservices.

**The Hon. PENNY SHARPE:** Is there testing occurring at all, or are you designing the testing?

**Mr BEAMAN:** No. There has been testing done at Tweed Airport.

**The Hon. PENNY SHARPE:** At the airport and offsite as well?



**Mr BEAMAN:** And offsite, and we have actually done testing on the New South Wales side. But what the current state of the investigation is, I will need to take that one on notice.

**The Hon. PENNY SHARPE:** Okay. Are you able to tell us about where it was taken offsite?

**Mr BEAMAN:** I will be able to take that one on notice. We can give you the specific locations.

**The Hon. PENNY SHARPE:** Has the EPA made any orders in relation to Gold Coast Airport and the PFAS contamination?

**Mr BEAMAN:** No.

**The Hon. PENNY SHARPE:** Do you expect that you may have to?

**Mr BEAMAN:** We are waiting. So, really, the issue around dealing with the major airports is their activities occur on Commonwealth land.

**The Hon. PENNY SHARPE:** Yes, I am very familiar with this differentiation.

**Mr BEAMAN:** But, having said that, the work we are doing with the Commonwealth—both Defence and Airservices and the airport operators—is to get those investigations done.

**The Hon. PENNY SHARPE:** Can I confirm that there have been soil tests, groundwater tests, surface water and local seafood tests?

**Mr BEAMAN:** I will take that one on notice. I know there has definitely been surface water and groundwater testing and also seafood, but I will take those ones on notice.

**The Hon. PENNY SHARPE:** What is the role of the EPA? Given that the primary source is on Commonwealth land—it is not unlike Williamstown—can you explain to the Committee the role that the EPA undertakes both onsite and offsite?

**Mr BEAMAN:** Yes, so, really, our primary role is to make sure the community has the best available information in front of it so it can actually minimise exposure to PFAS chemicals. Just because PFAS is in the environment does not necessarily present a risk. It is the way that people are exposed to PFAS—be that the drinking of contaminated water or the eating of food that has been contaminated with PFAS—so our real initial thing is really focused around the community to make sure they have the best available advice, initially, and that has happened in those communities where we go out and give the communities advice about groundwater and not using groundwater or limiting their seafood consumption.

**The Hon. PENNY SHARPE:** So that is through the fact sheets. Do you have a broader role in relation to creating and monitoring the management plan?

**Mr BEAMAN:** Under the intergovernmental agreement on PFAS, there is agreement between all the States and Territories and the Commonwealth around working collaboratively to assess PFAS contamination and what the management strategies and ongoing monitoring should be.

**The Hon. PENNY SHARPE:** What does that mean? Do you get together in a meeting?

**Mr BEAMAN:** We review their reports, we critique them, we bring in expertise of specialists across the EPA and also across Environment, Energy and Science groups. We actually push the Commonwealth as hard as possible to make sure those assessments are robust, they have the right information, they do not have any data gaps and the risk assessments are robust.

**Ms LEVY:** And our communicator at the EPA works very closely in making sure that the Commonwealth is being transparent about this information, and communicating with the community and stakeholders.

**The Hon. PENNY SHARPE:** Can I clarify: Gold Coast Airport is a private airport, is it not? But the land remains—

**Mr BEAMAN:** That is my understanding.

**The Hon. PENNY SHARPE:** So how does that work in terms of responsibility?

**Mr BEAMAN:** The Commonwealth has actually leased out the operation of those airports under long-term contracts.

**The Hon. PENNY SHARPE:** So that is how that works. Are you aware of any concerns about local waterways, given that there had been some testing on seafood, for example?

**Mr BEAMAN:** I think initially—that is why I need to take this one on notice because the Gold Coast is a little while back for me—to the extent that we were doing, we had done testing on the New South Wales side. This is an interesting one because it crosses two State boundaries and we had actually done some seafood testing and we had given that precautionary advice, and that might have been about 18 months or so ago.

**The Hon. PENNY SHARPE:** To whom did you give that advice?

**Mr BEAMAN:** That would have been to the community where we have done that testing. I will need to take that one on notice for the specifics for you.

**The Hon. PENNY SHARPE:** On notice, are you able to provide the results of that testing to the Committee?

**Mr BEAMAN:** Yes.

**The Hon. PENNY SHARPE:** Thank you very much. I want to ask more PFAS questions in relation to Our Lady of Lourdes Primary School in Tarro. Are you aware of this issue?

**Mr BEAMAN:** I am.

**The Hon. PENNY SHARPE:** I understand that there is PFAS contamination at the Our Lady of Lourdes Primary School at Tarro, which is in Maitland. What is the advice that has been provided to parents in relation to this matter?

**Mr BEAMAN:** Really, the thing we wanted to do with this one was to give the school and the parents the best available information that we have at the moment. So Fire and Rescue had done testing on some surface soils in the playground, in the accessible areas of the playground. I am pleased to report those testing results are actually below the national guidelines for playgrounds.

**The Hon. PENNY SHARPE:** Are the guidelines for playgrounds different to the guidelines in the community generally?

**Mr BEAMAN:** There are two. There are different levels for land uses. There is residential and there is playgrounds. There is the playground one, which is the open space in a park, but we have actually asked Fire and Rescue to use the residential one.

**The Hon. PENNY SHARPE:** I assume that is more stringent?

**Mr BEAMAN:** It is more conservative. The team had been out with the school last week and we did a drop-in session where we had our PFAS specialist on site. We also had Health and Fire and Rescue. We gave advice to the parents that we had detected PFAS in the school in the surface soils and that the next step of work was for Fire and Rescue to complete the risk assessment work, and that is what is currently happening.

**The Hon. PENNY SHARPE:** What is the time frame for that?

**Mr BEAMAN:** We are aiming for that work to be done at the end of November. So, again, thinking around this issue, so we have levels that are below playground levels—

**The Hon. PENNY SHARPE:** Let us be clear: They are above residential, is that correct?

**Mr BEAMAN:** And the reason you have the residential ones is around the way people use their residential environment and, particularly, growing fruit and vegetables.

**The Hon. PENNY SHARPE:** So it is the consumption of the fruit and vegetables.

**Mr BEAMAN:** It is the consumption. So, with PFAS, it is that point: Because it is in the environment does not necessarily make it a problem.

**The Hon. PENNY SHARPE:** There is contention about whether it is airborne, is it not? Is that not what we are trying to deal with?

**Mr BEAMAN:** From the risk analysis we have seen—and we have done this previously for other sites—it is the ingestion of groundwater or contaminated surface water and foods that have been watered with that groundwater or surface water, so, eggs, for example. The risk analysis that was done, say, for Williamstown, for dust, showed that the level of dust PFAS risk was very low. So the reason that the residential one is lower is that it is the way people spend time in their yards, and grow fruit and vegetables in their yards. We know from the

discussions with the school they do not use their groundwater. They have a garden there where they grow vegetables, but they are in a raised garden beds with soil from outside.

**The Hon. PENNY SHARPE:** EPA and Department of Defence have fact sheets confirming there is an exposure pathway through airborne particulates. Are you saying to the parents at Our Lady of Lourdes Primary School that that is unlikely to occur?

**Mr BEAMAN:** It is a low risk.

**The Hon. PENNY SHARPE:** Is that advice similar to advice in other jurisdictions in relation to PFAS exposure via airborne particles?

**Mr BEAMAN:** As far as I am aware of in Australian jurisdictions.

**The Hon. PENNY SHARPE:** What about internationally?

**Mr BEAMAN:** I will take that one on notice.

**The Hon. PENNY SHARPE:** Okay. Obviously, Williamtown has been the key question and there has been a lot of concern within the community about that, but there does seem to be conflicting advice. What is the trigger for reviewing the advice that you give to the community in relation to these matters?

**Mr BEAMAN:** I will use Williamtown as an example. The investigation and assessment stage have now been completed. And then Defence, I think in August this year, have released their ongoing management protocol, so as the data comes in through the monitoring protocol framework, we are going to be looking at that data to see whether any of the assumptions in the original modelling have changed. If they did change, that would trigger our reassessments for any risk assessments.

**The Hon. PENNY SHARPE:** The advice that we are giving to people all over the State is based on the outcomes of Williamtown, is that what you are saying to me?

**Mr BEAMAN:** No, each of the site assessments where there is determined a need to do those human health assessments are actually done on site-specific data and actually done on the relevant information collected from each of those sites. That is why they are as comprehensive as they are.

**The Hon. PENNY SHARPE:** We have had some reports that local parents have been told—I am not certain but I do believe it was via the EPA—that exposure cannot occur through dust or airborne particles.

**Mr BEAMAN:** The risk is live.

**The Hon. PENNY SHARPE:** I understand that. Are you saying that the EPA has at no point given advice that there is no risk?

**Mr BEAMAN:** The advice I have is from thermal exposure you do not absorb it through your skin. Your exposure pathway is through the consumption of food or consumption of water that is contaminated with PFAS compounds. The wording we get from health experts is to say that the dust exposure is a very unlikely way you are exposed to PFAS. There are much more predominant sources for the way you get exposed to PFAS compounds.

**Ms MACKEY:** I think it is important to note that when the conversations were had when there was an open forum with parents that NSW Health was there with us providing advice to parents, alongside the EPA and NSW Fire and Rescue.

**The Hon. PENNY SHARPE:** When will the testing be completed at Tarro school? Has it been completed?

**Mr BEAMAN:** My understanding is that testing has been completed. I really want to acknowledge what Fire and Rescue did in this case. They did not wait for the report. I think in the past people waited to do the report.

**The Hon. PENNY SHARPE:** I wish the Department of Defence would do that.

**Mr BEAMAN:** I think I would agree with you. What they did in that case was they got the data and then they came to us with just the lab report and said, "We have a detected. What are we going to do?" They also did that with the school. They actually were very proactive in fronting up rather than waiting for the report to be produced. We are expecting that analysis to be done by the end of November.

**The Hon. PENNY SHARPE:** Has there been any community request for blood tests in relation to this one?

**Mr BEAMAN:** Not that I am aware of, no. I will talk a little bit, if I can for a second. Like I mentioned, we had Fire and Rescue, EPA and Health staff out on site at the school on the twenty-fourth between 2.00 p.m. and 6.00 p.m. to be made available. We also made ourselves available to the school staff. The feedback from two parents from that school independently is that they really appreciated the fact that they got very clear advice from the three agencies about what to do next and felt much more comfortable around the issue. They were grateful that we came to the school as soon as we did.

**The Hon. PENNY SHARPE:** EPA working with NSW Health about people wanting to have blood testing is not something that you are considering?

**Ms LEVY:** That is a matter for the Ministry of Health and the advice that we have been given by them is that they do not recommend blood testing for PFAS contamination.

**Mr BEAMAN:** Yes.

**Ms LEVY:** And that is a general comment from them.

**The Hon. PENNY SHARPE:** If there were a desire in the community to do that, that would that be revisited?

**Ms LEVY:** That would be a question to put to Health but my understanding is that that is its general consensus view—that it is not something we can test for or should be testing for because there is no baseline to assess what is a risk and so the number is meaningless in a sense.

**The Hon. PENNY SHARPE:** I refer to the airport issue. I am trying to clarify who owns the land. I think you said before it was leased. The Commonwealth leases the land to the airport?

**Mr BEAMAN:** I do not want to give an incorrect answer. I just want to give you a really correct answer.

**The Hon. PENNY SHARPE:** That is why I am checking. I am not trying to be tricky. If you can tell us that would be great because we are confused. So the advice that we are giving to people all over the State is based on the outcomes of Williamstown, is that what you are saying?

**Mr BEAMAN:** No, I actually do not know all the machinations of the Department of Industry and regional developments, who owns what bits of land in the Commonwealth.

**The Hon. PENNY SHARPE:** Mr Beaman, I am disappointed.

**Mr BEAMAN:** I know; I try. But for lots of the airports, as we understand it, it is Commonwealth land and for the past 10 or 15 years it has gone through a process of leasing out those sites to private operators. It might be more accurate for me to come back to you who owns what bit of land and who has got the lease.

**The Hon. PENNY SHARPE:** If you can come back to us that would be good. It is obviously important in terms of who is going to pay for the clean-up, so we are very interested in that. As to the Williamstown PFAS, the community reference group has recently been disbanded. Why was that?

**Mr BEAMAN:** On 8 October the Williamstown Community Reference Group was advised that the bi-monthly meetings that had been held were going to be discontinued. I think this represents a shift in focus to the major part of the Williamstown investigation that has now been completed. They have issued what they call their PFAS Management Area Plans. This is the ongoing monitoring plans. What we were going to move towards is actually holding—and we have found this to be very effective—community drop-in centres over a large period of time so we can access a greater part of the community. The community can come in, residents come in and sit with us and discuss what question they have around PFAS. As more data comes out of the monitoring program, we are going to be able to sit down with the community. We want to do those chats. We are finding those chats one-on-one to be an effective way for the community.

**The Hon. PENNY SHARPE:** I am sure you are finding the chats very good because the difference is that people are coming cold, not knowing a lot of information. The community reference group obviously has built up a greater degree of knowledge over time. PFAS contamination is not a simple matter. Obviously the Environment Protection Authority [EPA] had no issue with the reference group being disbanded?

**Mr BEAMAN:** No, the reference group was actually chaired by the Department of Premier and Cabinet and we were a member on that committee.

**The Hon. PENNY SHARPE:** Did they consult with you before disbanding it?

**Mr BEAMAN:** Yes.

**The Hon. PENNY SHARPE:** And you supported that?

**Mr BEAMAN:** Yes.

**The Hon. PENNY SHARPE:** Who is the contact person at the EPA in relation to Williamstown contamination? Beyond the drop-in sessions that you are providing, if members of the previous group or local residents discover a particular issue who do they ring and who do they talk to?

**Mr BEAMAN:** They can ring 13 1555.

**The Hon. PENNY SHARPE:** It is the general line?

**Mr BEAMAN:** Yes, and that comes through. We have a specialist team inside the EPA that manages PFAS. All those people in that team actually go out into the community for outreach work.

**Ms LEVY:** There are local contacts at the EPA north branch.

**Mr BEAMAN:** Yes, and north branch.

**Ms LEVY:** Who have also been very closely involved in this. So if they need a face-to-face contact the north branch people are available in the Newcastle office. They can bring the specialists in from the PFAS group that sits within Mr Beaman's area within the EPA.

**The Hon. PENNY SHARPE:** But there is not basically one person? People do not have a single point of contact?

**Mr BEAMAN:** We have a bunch of these defence sites around the State.

**The Hon. PENNY SHARPE:** I am talking specifically about Williamstown. Williamstown has had a community reference group. The benefits of that have been that all of the agencies have been around the table. The level of community concern often is that they get buck-passed between different agencies, particularly between the Commonwealth and the State and between Health and the EPA. The benefit of having that community reference group was that everyone was there. It was a bit embarrassing in the full room for you to be able to point at each other and say, "It is their fault, get an answer".

**Mr BEAMAN:** Yes.

**The Hon. PENNY SHARPE:** Without the community reference group now, can you confirm that you think that it is reasonable that people ring the general number or they try their luck when they talk to your northern area in terms of who they ring?

**Ms MACKEY:** We certainly have quite a presence up in that area. We have got local staff that are based there and know the community well. The community are used to and familiar with those persons. We do not have an issue with an agency in terms of providing individual contacts. In fact, that is part of the norm of how the EPA operates. So if there is any community concern around wanting those contacts, I am happy to take that as an action for us to—

**The Hon. PENNY SHARPE:** And you will be able to find them a single point?

**Ms MACKEY:** Yes.

**Ms LEVY:** I think the local contact makes sense. They can bring in experts as needed.

**The Hon. PENNY SHARPE:** That is obviously an issue if the committee is not meeting. Previously I know two residents put issues of general concern on the agenda for meetings. How do you plan to deal with that into the future?

**Mr BEAMAN:** We are happy for the community to come to us directly to raise those issues. We are happy to be that coordinating piece within government to make sure we can deliver on those answers so that they do not get different responses from different agencies.

**Ms MACKEY:** It would also be fair to say that over a period of time the EPA has seen the engagement from that community with the EPA certainly decrease quite significantly as the issues have been worked through, as Mr Beaman has outlined. So if other issues emerge, we certainly would be happy to re-engage with that community on those issues.

**Mr DAVID SHOEBRIDGE:** I have a series of questions about Snowy 2.0. I am not sure who amongst this group—

**Ms LEVY:** Mr Pettitt is the local regional director. He will have the most specific answers. Myself and Mr Fleming can answer general questions.

**Mr DAVID SHOEBRIDGE:** I think I see you over there.

**Ms LEVY:** There are a lot of names in that corner.

**Mr DAVID SHOEBRIDGE:** The annual revenue of Snowy Hydro is in the order of \$2.6 billion. Is it true that the annual lease fee that has been negotiated for the occupation of the Kosciuszko National Park is, I think, currently \$0.75 million, \$750,000 a year. Is that right?

**Mr PETTITT:** That is correct for the Snowy 1.0.

**Mr DAVID SHOEBRIDGE:** That is a fraction of 1 per cent of its revenue. That is its current lease fee?

**Mr PETTITT:** That is correct.

**Mr DAVID SHOEBRIDGE:** Do you know how that was arrived at?

**Mr PETTITT:** It was before my time, but there was a series of negotiations of cost recovery of being able to manage, from the park's perspective, the Snowy 1.0 operations within Kosciuszko.

**Mr DAVID SHOEBRIDGE:** Is it true that, with the much bigger footprint from the expanded Snowy 2.0, the lease fee for that expanded project is just \$1.6 million per annum?

**Mr PETTITT:** There is an agreement for lease. Under that agreement there is a construction lease; the \$1.6 million is for the construction lease. We have not negotiated an operations lease fee as yet because that operation has not commenced.

**Mr DAVID SHOEBRIDGE:** The construction phase is going to take about a decade.

**Mr PETTITT:** It will most likely be a construction phase overlapped with an operational phase. As soon as there is power generation, the construction lease may continue because it does cover rehabilitation. The operation lease then comes into play—at this stage in probably about 2024 or 2025.

**Mr DAVID SHOEBRIDGE:** Is that \$1.6 million plus the \$750,000?

**Mr PETTITT:** Yes, the two separate leases. One is for Snowy 1.0, the original Snowy scheme.

**Mr DAVID SHOEBRIDGE:** How has National Parks got such a dreadful return of only \$2.35 million per annum when the corporation on the national park has got current revenues of \$2.6 billion—and I assume, with Snowy 2.0 running, significantly greater revenues? Who negotiated such a poor outcome for National Parks?

**Mr PETTITT:** During the negotiation of the Snowy Hydro Corporatisation Act 1997 there was an approach taken to look at a similar approach for lease operations, but the construction lease was handled separately. The operations lease for Snowy 1.0 is a cost-recovery approach of managing the operation of the park by park employees and contractors. The construction lease is similar, but we have also taken on some of the roles of the planning department in enforcement of activities.

**Mr DAVID SHOEBRIDGE:** So you have got a Commonwealth for-profit corporation and you have negotiated a lease payment that just recovers the direct costs of National Parks and has them pay not a dollar for the real estate? Is that right?

**Mr PETTITT:** The Snowy 1.0 is a direct cost negotiated at around about \$700,000 and then CPI.

**Mr DAVID SHOEBRIDGE:** There is not one dollar being paid for the real estate?

**Mr PETTITT:** For the—so it is still national—

**Mr DAVID SHOEBRIDGE:** For the occupation. For the right to occupy the real estate—not one dollar?

**Mr PETTITT:** The land is still national park estate, so they do not own the land. It is the lease to operate—

**Mr DAVID SHOEBRIDGE:** No, but they occupy it. I am talking about the occupation through the lease.

**Mr PETTITT:** Yes.

**Mr DAVID SHOEBRIDGE:** There is not one dollar for occupying the land?

**Mr PETTITT:** It is a lease. A lease or licence.

**Mr DAVID SHOEBRIDGE:** Yes, but you are not charging—they get the benefit of a lease but they are only being charged for the actual costs to National Parks and Wildlife in terms of staff and outgoings.

**Mr PETTITT:** That is correct.

**Mr DAVID SHOEBRIDGE:** They are not actually being charged anything for the benefit of occupying such a large part of the national park?

**Mr PETTITT:** There is no percentage fee on profits, no.

**Mr DAVID SHOEBRIDGE:** It is no wonder—I will put this to you, Ms Levy—National Parks are short of funds when they turn up with such a dreadfully uncommercial deal with a for-profit Commonwealth corporation. It is no wonder you are short of funds when you do not even try and recover a dollar for the occupation of the national park.

**Ms LEVY:** I am afraid I was not there when that agreement was put in place, so I cannot talk to whether National Parks had much of a say or it could have been a whole-of-government decision that was taken. Your point is very well taken.

**Mr DAVID SHOEBRIDGE:** It is the same now for the construction lease. When was the construction lease negotiated?

**Mr PETTITT:** It was finalised in February this year.

**Mr DAVID SHOEBRIDGE:** Ms Levy, when did you come on board?

**Ms LEVY:** April of this year.

**Mr DAVID SHOEBRIDGE:** That was lucky. Will you review the processes that led to such a dreadfully non-commercial return for National Parks and Wildlife? Will you advise the Committee what the parameters will be for the final lease when Snowy 2.0 gets its final operating lease?

**Ms LEVY:** I will certainly take on board to take those comments back to the Minister and to Government. We will take that on board. I would like to see National Parks getting the best possible outcome out of this.

**Mr DAVID SHOEBRIDGE:** I think we can all agree that having a for-profit Commonwealth corporation generating revenues of \$2.6 billion from NSW National Parks and not paying a dollar for the right to occupy that land is a pretty poor outcome for National Parks, can't we?

**Ms LEVY:** You have raised some very good points there that we will have to take on board.

**Mr DAVID SHOEBRIDGE:** Could I ask you about the market benefit for Snowy 2.0? As I understand it, the consultant's report that was released by Snowy Hydro put the market benefit for Snowy 2.0 at between \$4.3 billion and \$6.6 billion over a 50-year period. Is that right?

**Mr HAY:** Are you referring to the Marsden Jacobs Associates [MJA] report?

**Mr DAVID SHOEBRIDGE:** I think it is the MJA report. I have only seen one consultant's report. I did not bring it with me.

**Mr HAY:** There were some released as part of feasibility and some as part of final investment, so I am not quite sure which one you are referring to.

**Mr DAVID SHOEBRIDGE:** I think that is the most recent one.

**Mr HAY:** I would have to check the numbers.

**Mr DAVID SHOEBRIDGE:** The figures I have put its added value over 50 years at between \$4.3 billion and \$6.6 billion. The construction contract that was just negotiated was I think for \$5.1 billion?

**Mr HAY:** Yes.

**Mr DAVID SHOEBRIDGE:** That does not include the transmission lines. Do we have an estimate of what the transmission lines will be?

**Mr HAY:** Transmission lines are still being determined as to their price. There is no definitive estimate on those at this point.

**Mr DAVID SHOEBRIDGE:** That \$5.1 billion also does not include the financing costs, does it? The cost of getting the money.

**Mr HAY:** That is out-turn dollars, as I understand it. That is the cost on completion, in terms of the construction cost.

**Mr DAVID SHOEBRIDGE:** Yes, but it does not include the financing costs then. It is just the direct outgoings for the construction—

**Ms LEVY:** Our department is not the proponent for the project. I think these are questions for the Snowy Hydro corporation, the Commonwealth—

**Mr DAVID SHOEBRIDGE:** We are likely to see or we are seeing already proposals that State and Federal governments will chip in for the transmission lines.

**Ms LEVY:** We are not chipping in. You were not here earlier, Mr Shoebidge, but we talked about the Queensland-New South Wales Interconnector. It is an underwriting. It is a security for asking the proponents there to accelerate the delivery of that project to meet the time frames outlined by the market operator for when that project needs to be completed, in order to have that capacity before the Liddell coal-fired power station closes. The underwriting brings forward the commencement of works, such as the ordering of long-term equipment required to be purchased ahead of the regulatory assurance process being completed. It is simply an underwriting, a security. We do not anticipate there being any cost to government when regulatory assurance is provided and that approvals process is completed.

**Mr DAVID SHOEBRIDGE:** You are talking about the Queensland-New South Wales Interconnector. Has the same proposal been done for the additional transmission lines for Snowy 2.0?

**Ms LEVY:** No proposal has been undertaken as yet for those ones.

**Mr HAY:** There has been some early funding of advanced planning works, but again that is an underwriting, and just to align the planning processes with the electricity regulatory processes.

**Mr DAVID SHOEBRIDGE:** That was departmental expenditure—

**Mr HAY:** No.

**Ms LEVY:** Underwriting.

**Mr HAY:** As Ms Levy said, it is an underwriting, there has been no call on that. It is just so that the transmission network provider has the confidence to spend its own money, which it is spending, ahead of getting regulatory approval to spend that money, electricity regulatory approval.

**Mr DAVID SHOEBRIDGE:** Then it will be a matter for the authority, the AEMO, to—

**Mr HAY:** The Australian Energy Regulator [AER].

**Mr DAVID SHOEBRIDGE:** The AER to recover that expenditure from a third party, is that what you are telling me?

**Ms LEVY:** No, no, no. Once the interconnector goes through its process and regulatory approval is given then it sets the price, and that price is then able to be charged back.

**Mr DAVID SHOEBRIDGE:** The cost recovery depends upon who uses it.

**Ms LEVY:** That is right. So the call on government would only ever come if that regulatory approval did not come and the interconnector was not able to be completed and charged back.

**Mr DAVID SHOEBRIDGE:** I understand that is the position for the Queensland-New South Wales interconnector. In terms of the Snowy 2.0 project, Snowy Hydro has said in the media, repeatedly, that it thinks it is inappropriate that it bears the cost of that transmission line, even though it will be the only generator using that transmission line. You would be aware of its calls?

**Mr HAY:** That transmission line links into other upgrades to transmissions between South Australia and New South Wales as part of what is called the Integrated System Plan [ISP], the integrated plan for transmission development. So it is not correct to say Snowy will be the only party using it.

**Mr DAVID SHOEBRIDGE:** There are a couple of hundred kilometres that will only go to Snowy 2.0, although it will link in with some other additional work.



**Mr HAY:** It links into the wider grid as part of the design.

**Mr DAVID SHOEBRIDGE:** Snowy Hydro has said that it does not believe it should be solely responsible for that interconnector. Have there been any discussions with the New South Wales Government about it contributing to that?

**Mr HAY:** The New South Wales Government has not been asked to contribute to the capital cost of the link.

**Mr DAVID SHOEBRIDGE:** To the best of your knowledge, has the Commonwealth Government been asked to contribute to that?

**Mr HAY:** I cannot speak for the Commonwealth Government.

**Mr DAVID SHOEBRIDGE:** I am not asking you to speak, I am asking you if you know whether or not they have been asked.

**Mr HAY:** I do not think—I have no idea.

**Mr DAVID SHOEBRIDGE:** If it is paid for by entities or persons other than Snowy 2.0, that simply leaves consumers across the rest of the State to pick up the cost of the infrastructure.

**Mr HAY:** And the regulatory processes under which interconnection assets are funded are based on the benefits to consumers.

**Mr DAVID SHOEBRIDGE:** Which brings me back to where we started. You have a project that has, at best, a return over 50 years of between \$4.3 billion and \$6.3 billion market benefit. By the time we finish the construction costs—\$5.1 billion—we put the financing costs on it, we build the transmission lines, we have the cost blowouts, you have a \$10 billion project that is in the red from the moment it starts. That will be paid for by electricity consumers, will it not?

**Mr HAY:** The cost of constructing Snowy 2.0 will be paid for by Snowy Hydro and its shareholders.

**Mr DAVID SHOEBRIDGE:** The transmission lines—

**Mr HAY:** The transmission lines will be paid for by the consumers if the regulatory authorities determine they are for the benefit of the consumers.

**Mr DAVID SHOEBRIDGE:** Has your department done any actual assessment of the generating capacity of Snowy 2.0? Have you run your critical eye over some of the assessments, particularly what many people say is the inflated assessment of the energy storage capacity at Tantangara Reservoir? Have you done any analysis of that?

**Mr HAY:** We habitually model the electricity market based on what is proposed by the participants in the market. So we are.

**Mr DAVID SHOEBRIDGE:** Do you accept Snowy Hydro's assertion that there will be 350 gigawatt hours of stored capacity in the Tantangara Reservoir—dispatchable, storable capacity?

**Mr HAY:** The most recent information around the scheme is now in the EIS, which is under direct consideration. So we take Snowy's numbers out to the point they are given, but as they are developed the market and all participants in the market will be looking at them.

**Mr DAVID SHOEBRIDGE:** I am asking you whether or not the New South Wales Government accepts Snowy Hydro's own assertion that there is 350 gigawatt hours of stored capacity being added to the system through Snowy Hydro's use of pumped hydro through Tantangara Reservoir?

**Mr HAY:** We have no reason not to accept it to this point.

**Mr DAVID SHOEBRIDGE:** Could I suggest some reasons why you would not? Tantangara Reservoir is linked through pumping with Talbingo, and Talbingo only has two-thirds the capacity of Tantangara. If you are pumping it back and forth you are going to lose a third already. Then Talbingo, of course, also is a source, as you would know for Tumut 3 Power Station, and there will be leakage out to Tumut 3. If you put those two facts together you will never get 350 gigawatt hours of stored capacity, will you? You will have one-third leak straight away because you are pumping back and forth. You will lose a third because you only have two-thirds in Talbingo. Then Talbingo itself will leak out to Tumut 3.

**Mr HAY:** I am not sure, Mr Shoebridge, that this is the right forum to debate the hydrology of the—

**Mr DAVID SHOEBRIDGE:** I am not aware of another one, so we deal with what we have got. I am more than happy for you to take that on notice and come back to me with your assessment of whether or not Snowy Hydro's assertions—and this stored capacity is one of the key assertions—are viable, given the structure of the Snowy scheme.

**Mr HAY:** The Snowy 2.0, it is the most vital assumption for its business case and its business case, as you have stated, has a positive net present value [NPV].

**Mr DAVID SHOEBRIDGE:** I suggest to you it does not have a positive MPV once you have a \$10 billion or more construction cost. That is why I took you through those figures earlier.

**Ms LEVY:** It is a Commonwealth proposal.

**Mr DAVID SHOEBRIDGE:** But we are talking about planning for the future energy stability of the network in New South Wales. The big key sale point for Snowy 2.0 is the 350 gigawatt hours of stored capacity. I am asking you whether or not you have assessed it, and it seems to me you are saying no, you just take Snowy Hydro at face value. I suggest to you that is not good enough and I have given you an outline of reasons why it is not good enough. I am inviting you to respond now or on notice.

**Mr HAY:** That is detailed information that we would need to take on notice.

**Mr DAVID SHOEBRIDGE:** Take it on notice. Could I ask you about, if you like, the environmental credentials of Snowy 2.0 for the first 10 years? Is it true that for the first 10 years of operating capacity of Snowy 2.0 the electricity for the pumping being done will be sourced from predominantly coal-fired power?

**Mr HAY:** The electricity for pumping for Snowy 2.0 will be sourced from the grid, and Snowy will be incentivised to source it at the lowest possible cost. That is likely to be whatever is dispatched at the grid at the time. The lowest cost is solar, so there are times when those costs will be considerably lower than coal costs.

**Mr DAVID SHOEBRIDGE:** The analysis that I have seen suggests that for the first 10 years it will overwhelmingly be coal-fired power that will be being accessed by Snowy 2.0. Has that been taken into account in assessing the environmental credentials of Snowy 2.0?

**Mr HAY:** The environmental credentials are being assessed by the planning department as we speak in terms of my colleagues in Planning.

**Mr DAVID SHOEBRIDGE:** Just one last issue on this, the feasibility study and then the EIS are suggesting that the construction of Snowy 2.0 will generate between 12,900,000 cubic metres and 14,600,000 cubic metres of rock, soil and waste. To get that in context, it has been suggested to me that is enough to cover a football field to a height of three kilometres, and I think that is the bigger of the two figures, so it is a lot. What is the proposal for National Parks and Wildlife to deal with that degree of construction waste in such a sensitive environment as Kosciuszko National Park?

**Mr PETTITT:** The figures are about right. The figures that we understand are around about nine million cubic metres bulked, which once it is out of the ground is probably close to 14 million or 15 million cubic metres. That is correct. What is in the EIS at the moment is placement off the edge of Talbingo Dam for that material coming out of the Lobs Hole Ravine area and placement in the Tantangara Dam for material that comes out of the Eucumbene at the Tantangara end of the spectrum. We are currently working closely with the Department of Planning, Industry and Environment about spoil management. It is a major issue for national parks so we are working closely with them to determine what the outcome will be.

**Mr DAVID SHOEBRIDGE:** So watch this space. Is that how I should understand that answer?

**The CHAIR:** Order! Thank you. That is the end of the questions from the crossbench.

**Ms LEVY:** May I provide a further update in relation to the Essential Energy direction statement?

**The CHAIR:** Sure.

**Ms LEVY:** Subsequent to the advice I provided you, further legal advice has been sought in relation to the issues of both the draft directions statements. I can report to the Committee as follows. The first draft directions statement has now been superseded and no longer reflects the position the Minister intends to take to the Expenditure Review Committee. On that basis, no claim of cabinet in confidence will be pressed. As the second draft directions statement has been issued pursuant to a statutory process, no claim of cabinet in confidence will be made. As such, the department will produce both draft directions statements to the Committee. We will provide those to you tonight before we leave.

**The Hon. MARK BUTTIGIEG:** Thank you.

**(Short adjournment)**

**The CHAIR:** Welcome back.

**Ms LEVY:** I have some documents to table. I have copies of the two letters to table for the Committee.

**The CHAIR:** Incredible. Thank you.

**Ms LEVY:** I have some answers to a couple of questions that were raised, as does Ms Mackey. I have the areas for the rewilding or the feral exclosures. The Mallee Cliffs National Park is 9,567 hectares. The Pilliga State Conservation area is 5,822 hectares and the Sturt National Park is two lots of 2,000 hectares, so a total of 4,000 hectares. The fences are typically 1.8 metres high. That is all of my answers. I think Ms Mackey has one.

**Ms MACKEY:** We want to come back to you on the Gold Coast Airport with a little bit more information.

**Mr BEAMAN:** I can never hold all the sites in my head. Sorry about that. We asked Airservices Australia to do bio checklists—fish sampling in Cobaki Broadwater. Testing was for sea mullet, fantail mullet, mud crab, luderick, mud ark and Sydney rock oysters. There was no PFAS detected at all in those species. So that was a good outcome.

**The CHAIR:** Good news, yes.

**Mr BEAMAN:** I remember sending up an EPA sampling team. We sampled groundwater on the New South Wales side and there were no PFAS detections above the drinking water standards. So that was good news. Then the groundwater modelling for the airport site is good for New South Wales. The plume actually goes to the east, so it stays in Queensland. It does not come across to the New South Wales side of the border.

**The CHAIR:** Thank you, I appreciate that.

**Mr HAY:** I have one further answer in relation to the Seniors Energy Rebate. We took it on notice to come back on the cost of the next round of promotions. I am advised that will be a matter for Service NSW, as part of their promotion of rebates more generally, so it is not a cost to the department.

**The CHAIR:** Thank you.

**The Hon. PENNY SHARPE:** Ms Levy, I just want to clarify something that you said re blood testing in relation to PFAS. You basically said that you do not think that testing is important because there is no baseline assessment of what the risk is so the number is meaningless. Can I confirm that that is your view?

**Ms LEVY:** My understanding was that there was no evidence about what level within people is a safe level and therefore we do not have anything to assess against.

**The Hon. PENNY SHARPE:** So you do not believe blood testing is of any value?

**Ms LEVY:** I take the advice of the people at the Ministry of Health. I have been advised by the Ministry of Health people that they do not recommend blood testing.

**The Hon. PENNY SHARPE:** There has been significant blood testing. Is that the EPA's position, Ms Mackey?

**Mr BEAMAN:** We take advice from the Ministry of Health and the Ministry of Health has told us that there is no link between a concentration level in your blood to any particular health outcome. So the getting of a number from a blood test is quite meaningless. That is the advice we have had from Health.

**The Hon. PENNY SHARPE:** I do not think the people having blood tests think that, do you?

**Mr BEAMAN:** No, but what do you do with the number?

**The Hon. PENNY SHARPE:** There has been a significant blood testing regime in and around Williamstown. Are you saying that the EPA's view is that that is worthless?

**Mr BEAMAN:** No, we take the advice from NSW Health.

**The Hon. PENNY SHARPE:** Why are you doing it?

**Mr BEAMAN:** The Commonwealth organised that blood testing, and that has now ceased.

**The Hon. PENNY SHARPE:** Right. Are you saying to me that the EPA's view is that the blood testing was a waste of time and was not significant?

**Mr BEAMAN:** No, the view of the EPA is that we take advice from the Ministry of Health. The health department gives us the advice that it is not necessary to do the blood testing because there is no linkage or association to any blood concentration levels.

**The Hon. MARK BUTTIGIEG:** Why would the Commonwealth be doing it, then?

**Mr BEAMAN:** You would have to ask the Commonwealth.

**The Hon. PENNY SHARPE:** How do you draw the link between what you eat and the levels in your blood?

**Mr BEAMAN:** That gets quite complex and a little above my capabilities. It is about the daily tolerable intake by the person by body weight. That is done on a whole lot of risk factors. So a whole lot of modelling is done for that. The backward mapping of that works out what your exposure would be—how much water you drink, how much fish you eat. That is how they back calculate it. There are worldwide standards about daily tolerable intake of PFAS as opposed to what is in your blood. The two are not related.

**The Hon. PENNY SHARPE:** Right. This has been quite hotly contested for several years and there has been a community reference group recently disbanded, where there has been a whole range of blood testing occurring. What has been the advice to people who have been getting blood tested?

**Ms LEVY:** The advice from the Ministry of Health has been that they do not recommend blood testing occur. That is the advice that we have taken.

**The Hon. PENNY SHARPE:** Is that what you have told people who have had blood testing?

**Mr BEAMAN:** I do not know what people have done. They have done that through their own GPs, I suspect.

**The Hon. PENNY SHARPE:** But didn't the Commonwealth cover the cost of the blood testing?

**Mr BEAMAN:** They did.

**The Hon. PENNY SHARPE:** This goes to the whole point of coordination. You are saying that you take advice from Health and you say that you are working together in a community. I do not know how many thousands of dollars have been spent on blood testing, which is about people measuring how much is in their blood and what action they can take as a result of the advice they would get from you around cumulative impact, and you are saying to me—this is the first time that I have heard this—that you think that this was a waste of time and should not have occurred.

**Mr BEAMAN:** I do not say that. I said—

**The Hon. PENNY SHARPE:** Well, what are you saying?

**Mr BEAMAN:** You probably need to ask the health ministry because we take the advice from Health.

**The Hon. PENNY SHARPE:** We get told that you guys work together all the time and that you take their advice. Why can't you explain that to us?

**Mr BEAMAN:** I am not a medical practitioner. I cannot answer that for you.

**The Hon. PENNY SHARPE:** No, but you are responsible for the advice that you provide to the community around safety in this matter.

**Mr BEAMAN:** And the advice from Health is that the blood testing is unnecessary.

**The Hon. PENNY SHARPE:** Okay. I just find that extraordinary. I want to ask about something different now because I am running out of time. I want to ask you about the waste levy. My understanding is that around a third of the waste levy is basically used for the Waste Less, Recycle More program. Is that correct?

**Ms LEVY:** One-third of the waste environment levy is provided to the environment groups across government, so part of that goes to the EPA specifically, part of it goes to the Environmental Trust to allocate against programs and part of it goes to the broader EES group for different programs. A portion of that is provided for the Waste Less, Recycle More program. It is only a portion of the third.

**The Hon. PENNY SHARPE:** Are you able to tell us what proportion that is? Sorry, I think I do know that. I think it is about \$84 million a year, is that right?

**Ms LEVY:** It is \$802 million over nine years that is provided through Waste Less, Recycle More program.

**The Hon. PENNY SHARPE:** Two-thirds goes into consolidated revenue. Is that something that is imposed from Treasury?

**Ms LEVY:** It is a Cabinet decision.

**The Hon. PENNY SHARPE:** It is basically capped. You cannot get any more money out of that unless there is a change in Cabinet position?

**Ms LEVY:** That is right.

**The Hon. PENNY SHARPE:** Is any of the waste levy used to fund EPA compliance work?

**Mr GIFFORD:** Yes, it is, waste-related compliance work.

**The Hon. PENNY SHARPE:** Could you provide the figure to the Committee? You can take it on notice if you want to.

**Mr GIFFORD:** Yes, sure.

**The Hon. PENNY SHARPE:** Has any of the money that is being spent from the waste levy been used as grants to construct recycling facilities in New South Wales?

**Mr GIFFORD:** Again, the answer to that would be yes, but in terms of the detail, we would need to take that on notice.

**The Hon. PENNY SHARPE:** Is the waste levy ever being used to fund recycling services interstate?

**Mr GIFFORD:** Not that I am aware of, but we can take that on notice too.

**The Hon. PENNY SHARPE:** Coming back to the waste levy and the EPA compliance work, are you able to break that down into staff salaries and contractors or consultants that are working for the EPA?

**Mr GIFFORD:** Yes, we can.

**The Hon. PENNY SHARPE:** There is quite a lot of contention that I know you are aware of between local government and the Government in relation to the use of the waste levy and the way in which that can be expended. There have been some recent statements from the Minister for Local Government that more money could be given out from the waste levy right now. Can you tell us how that would be possible, given that the amount of money is capped?

**Ms LEVY:** The cap is on the one-third amount, so it varies each year depending on actually how much material is disposed of into landfill; so from year to year it varies. We do have forecasts of what that expenditure is. How that one-third money is allocated within the department, as you have just ascertained, funds positions for waste compliance activities within the EPA. Much of it is provided for grant funding to various projects. There could be a reprioritisation of that funding should there be a desire to do so.

Across the Waste Less, Recycle More program, the \$802 million, there are 25 or 30-odd various programs within that. Some is non-contestable funding that is available for councils. Some is contestable funding that councils can compete for alongside other councils or alongside other industries to secure that funding and the other is more directed towards industry or other groups for that targeting. The decision of how those buckets of money were allocated in Waste Less, Recycle More were also subject to a Cabinet decision. But should the Government choose to, it could direct the EPA or us to spend that money in a different way under those allocations.

**The Hon. PENNY SHARPE:** As you said, there are a lot of sub-programs and it is difficult to follow, but would you be able to provide a list to the Committee of where waste levy money is being used to fund government agencies? For instance, I know National Parks gets money for its enhanced firefighting program. Would you be able to provide a full list of that to the Committee?

**Ms LEVY:** We can provide a breakdown of the broad allocations of funding, yes.

**The Hon. PENNY SHARPE:** But also what they are for, obviously. I want to ask about Kosciusko National Park, although I am not quite sure who the right person is.

**Ms LEVY:** That would be Mr Pettitt for specifics and then many of us for anything else.

**The Hon. PENNY SHARPE:** Come on down. I am very interested in an update on wild horse and/or feral horse management in the park. How many horses have been removed from the park this year or from June, whatever is the easiest start date?

**Mr PETTITT:** We started on 14 October and as of yesterday we have removed 46 horses from Kosciusko.

**The Hon. PENNY SHARPE:** Are they going to be rehomed or what has happened to them?

**Mr PETTITT:** We have rehomed 33 of those 46 horses.

**The Hon. PENNY SHARPE:** What has happened to the others?

**Mr PETTITT:** Two were euthanised and 11 went to the knackery.

**The Hon. PENNY SHARPE:** Forty-six is not very many—although I accept you have only been doing it for a month or so.

**Ms LEVY:** Two weeks.

**The Hon. PENNY SHARPE:** I am not trying to be silly about it, I understand that it is difficult. What other active management of the horses is happening? Forty-six in a month or so; what is the projection to the end of the financial year?

**Mr PETTITT:** The reason we started on 14 October in the Blue Waterholes area was because there were interactions between horses and people. The gates are remained closed during that period. We will go right through to about mid-November. We are confident just by knowing from our staff the horses that have been interacting that some of those have been removed. The aim is to have a program that removes horses from that area to then open up that area again at the end of November into December, so it is available for Christmas school holidays and Easter for camping and picnicking. Where we are going at the moment is dealing with the community advisory panel and the scientific advisory panel.

**The Hon. PENNY SHARPE:** How many times has that met?

**Mr PETTITT:** We have our first community advisory panel tomorrow and that is the first time the full advisory panel have met, although we have met with the chair and deputy chair a week and a half ago. The scientific advisory panel, we meet next Wednesday.

**The Hon. PENNY SHARPE:** The work in respect of removal of the horses, is that being done by National Parks and Wildlife Service staff or contractors?

**Mr PETTITT:** On this occasion it is National Parks staff.

**The Hon. PENNY SHARPE:** Do you think you are going to have to use contractors into the future?

**Mr PETTITT:** We have had a variety of removal methods over the past. Historically in the southern end of Kosciusko we use contractors to do that work.

**The Hon. PENNY SHARPE:** Can you tell us how much the program will cost this financial year?

**Mr PETTITT:** There is a combination of costs. Where we are running at the moment, historically it has been around about the \$1,200 per horse to remove. That is based on the 2008 Wild Horse Management Plan with passive trapping. I would expect it to be very similar. But that cost also includes some of the other issues of planned development as well. It is an inclusive cost.

**The Hon. PENNY SHARPE:** I understand that 46 is not very many but obviously the damage is great. What is happening in relation to rehabilitation as a result of the damage from horses?

**Mr PETTITT:** At this stage, until we finalise the plan, which will have a rehabilitation component in it, we have not been able to undertake a massive amount of rehabilitation. We are doing some exclusion fencing to look after the stocky galaxias in the Tantangara Creek. We are also working with Speleo Reference Group about the A-tents in the Cooleman Plain area, but apart from that, we do have some exclusion fencing to monitor the difference between horse grazed areas and others.

**The Hon. PENNY SHARPE:** That is really just exclusion, it is not rehabilitation.

**Mr PETTITT:** That is right. That will be very much of the plan that is developed with the community advisory panel and key input from the scientific advisory panel.

**The Hon. PENNY SHARPE:** What is the time frame for that sort of plan to be—

**Mr PETTITT:** Our aim is to get a plan out in probably the first half of 2020.

**The Hon. PENNY SHARPE:** So mid-next year?

**Mr PETTITT:** Yes.

**The Hon. PENNY SHARPE:** I wanted to ask a question about Macmasters Beach. It is a little bit of a tricky one. We have previously asked about it and you took a question on notice about Macmasters Beach on the Central Coast, Ms Levy. It is the issue about the amalgamation of the councils leading to a problem with zoning. There was previously an environmental zone privately owned and it seems now it has fallen into a legal loophole where essentially the owner is basically clearing it, when they previously would never have been allowed to do that, and clearing it quite aggressively. But there does not seem to be a way to resolve that. I think it has bounced between your department and Local Land Services. Can you provide some information to the Committee about where that is up to?

**Ms LEVY:** I do recall the question.

**Ms MOLLOY:** I can answer that in terms of the fact that the compliance staff who do compliance under the Local Land Services Act sit in my team. There were numerous calls to the Environment Line last year in relation to that site; there was an investigation done and it was deemed that there was no illegal clearing under the Local Land Services Act.

**The Hon. PENNY SHARPE:** That is very tricky wording. That is not the point. The point is that it was previously zoned environmental land and that clearing would not have been allowed to occur, but simply because of the way in which it has been amalgamated in the change that that has occurred. Is anyone actually looking at that as a serious matter in relation to environmental protection as opposed to "this just happened as a result of the amalgamation of the councils and there is nothing we can do"?

**Ms MOLLOY:** That is not something that I can comment on here today. It is probably a matter for the council in terms of their rezoning and their development control plan.

**Ms LEVY:** We might have to take that on notice.

**The Hon. PENNY SHARPE:** I am not suggesting that there is any malicious intent here; it just seems that this loophole in planning law between local government, planning and environment has come through as a result of this. It just concerns me that no-one seems to be concerned about the environmental outcome and everyone just says there is nothing we can do about it. If you can provide any more information to the Committee about this that would be very useful, and particularly whether there are any plans around trying to fix this, because I do not believe this is intended; I just think that there is a local landholder who is taking advantage of it and seems to be getting away with it.

**Ms LEVY:** We will certainly take that on board.

**The Hon. PENNY SHARPE:** I wanted to ask you about land clearing. I am just trying to confirm what the actual situation is in relation to land clearing prosecutions and amnesties. It is my understanding that the Minister, Adam Marshall, announced in August that there would be no new investigations under the old Native Vegetation Act from August this year and it was referred to publicly as an amnesty. It is my understanding also that the environment Minister talked about delivering fairness for farmers, ensuring that those farmers who undertook activities that would now be legal are not punished. The Government statement also said, "Hundreds of farmers across the State are currently facing potential penalties under the old Act." However, the response from supplementary question 395 said there was no amnesty whatsoever. So we are getting two different messages. Can you please unpack that for the Committee?

**Ms LEVY:** I certainly can. The term "amnesty" is not one that we have used, nor has the Minister for environment, and I do not recall Minister Marshall specifically saying that. I know that there were some personalities on the radio who did use that term. The policy is about dealing with legacy cases of potential illegal land clearing that occurred under the previous laws, under the Native Vegetation Act. What the policy has said is that for those activities that occurred under the Native Vegetation Act, if they were legal under the new code arrangements, under the Local Land Services Act, then we would not take any further action on them, if they were considered to be legal under the new code arrangements. For those that were not legal under the new code

arrangements, our first port of call is to look to see whether they could be made to have an equivalent outcome to the Local Land Services Act and the code such that they might have been the set asides, required to achieve the equivalent environmental outcome. We are working through those on a case-by-case basis. There are something like 150 cases.

There was a commitment to not have any new cases added to the list after 31 August; we are still working through the 150-odd cases that were on our list—none of those have dropped off—and we are comfortable with that date because we had done all of the work, we had worked our way through all of the evidence that had been provided to us through the Environment Line, through our aerial photography and satellite imagery to work through. We believe we had exhausted the list of potential illegal clearings up to that point, so we were very comfortable with that date being a cut-off because we had done the work. Now we are working through that backlog of cases and there are a number of those that are still proceeding to prosecution because they cannot achieve an equivalent environmental outcome, as would be outlined in the code. I can get you the number of how many—

**The Hon. PENNY SHARPE:** If you get us a breakdown of those that would be useful.

**Ms LEVY:** —of how many prosecutions that are currently—

**Ms MOLLOY:** I think there were about 10—I will just check and clarify that in the notes—currently before the court, and 153 currently open matters that we are investigating under the Native Vegetation Act.

**Ms LEVY:** That is under the Native Vegetation Act.

**The CHAIR:** At the last hearing Minister Kean signalled that he is looking to develop and introduce a comprehensive plastics strategy, he said to deal with a whole range of other plastics—this is in relation to plastic bags, but he is looking at a comprehensive plastics strategy. What work is being done to develop this comprehensive plastics strategy?

**Ms LEVY:** I will hand over to Dr Tang in a minute to do that, but certainly considerable work has been done and we have been consulting with key stakeholders, industry, councils and producers across the sector and there is a plan to have a paper put out for further consultation. I will hand over to Dr Tang.

**The CHAIR:** Dr Tang, when you do talk to it, if you could also indicate what types of plastics other than plastic bags the comprehensive plastics strategy will look at addressing?

**Dr TANG:** Sure. As part of the consultation process the Minister himself approached nearly 300 stakeholders and stakeholder organisations for views and feedback on what they felt needed to be done around waste issues generally, including on plastics. The department has been working on collating and consolidating the evidence base around plastics and, as Ms Levy has mentioned, it is not just around plastic bags, it is around a comprehensive plan on different types of plastics—that would include plastic bags, for example. It would also consider the use of signal-use plastics; it would also consider the use of a broader range of more complex plastics as well. It does consider the very diverse range of views that we have collected from local councils, community groups, academics, industry et cetera. As you can appreciate, there is going to be a range of different considerations that will need to be considered as part of that issues paper, which will be released, we hope, by the end of this year.

**The CHAIR:** Thank you. Will that include looking at incentivising the recycling of more of our plastic waste as well?

**Ms LEVY:** Certainly the end markets is an issue that is very live to us and we will be looking at the broad range of issues including some of those that are even broader. That is part of our 20-Year Waste Strategy where we will be looking at end markets, and that is a key focus for us.

**The CHAIR:** What was the time line for that again?

**Ms LEVY:** We are anticipating having that issues paper for the plastics plan out before the end of this year, but the timing on that is subject to the Minister and Government to determine. But that is what we are working towards.

**The CHAIR:** That is something to look forward to. Air quality—I understand there was a community drop-in session on 24 October in Muswellbrook that the EPA was involved in. Mr Beaman or Mr Gifford?

**Ms MACKEY:** If you have a particular question we can take you through that.



**The CHAIR:** I was just wondering how that went and what the general theme of community feedback was in relation to Muswellbrook and air quality, firstly.

**Mr GIFFORD:** I think the community were appreciative of the opportunity to engage in that way with not just EPA staff but other experts from across the department. We had a range of responses. I think for some people it was really good to understand some of the causes and effects from that, resulting potential air quality impacts. There were obviously some people who were also quite distraught and upset about being impacted by what they saw as poor air quality, particularly related to dust. So it was mixed, I guess, in terms of the response. We are also planning to run another one of those further up the valley.

**The CHAIR:** One of the concerns that has been reported—and I have visited that area myself and have had concerns relayed to me by members of the community—is the Mount Arthur open-cut coalmine. One of the issues is what seems to be consistent breaches of that coalmine's licence in relation to dust and the small fines that the coalmine gets for what the community sees as consistent breaches. There seems to be a lot of dust coming into the town as a result of that coalmine. Most recently in July this year, the mine was fined \$15,000 for excessive dust one windy day in October. I have another one in front of me. Last year the mine was fined another \$15,000 in relation to another day back in late 2018 and there were others before that. Do you think the level of the fine—\$15,000 to a BHP Billiton-owned mine—is something that causes distress to the community? Why would a \$15,000 fine necessarily stop the mine from behaving like this?

**Ms MACKEY:** I think we have to remember that the penalty infringement notices that we can give out—or the fines, as we call them—are just one of the elements of compliance that we have operating. So I can understand the community's perception around that but, at the same time, we have been really cognisant of the feedback we have been getting up in that region around the dust. We have been going in and we have a program of quite significant compliance happening with a number of those mines, and, being really on the front foot around, for example, weather patterns, so when we know the wind is going to blow in certain directions or it will be quite a windy period of time, we are working with those mines to try—

**The CHAIR:** Sure. Sorry to interrupt. We only have three more minutes and that will be it from me for the rest of the evening. When you say a "range of compliance measures"—and you would deal with this all the time—obviously you would think the coal companies would not like high financial penalties, but what are the other compliance mechanisms you are referring to? Can you speak about Mount Arthur specifically?

**Mr GIFFORD:** Not to Mount Arthur specifically but, certainly, there is a suite of regulatory tools that the EPA has available to it. They range from notices that require certain actions to be undertaken. Each of the mines have environment protection licences that have conditions within those licences where we can require things to be done. We can require pollution reduction programs—and most of the mines have pollution reduction programs on them as well—and penalty infringement notices are but one tool, but \$15,000 is the maximum amount available under the penalty notice legislation.

**The CHAIR:** Do you think that is adequate? Mr Gifford, from your experience in dealing with this over many years, do you think \$15,000 is now adequate for BHP, for example, that had a \$14.7 billion profit during the period I was referring to?

**Mr GIFFORD:** The \$15,000 limit was something that was raised significantly through a previous term of this Government. Prior to that, it was quite low. But it is not about—

**The CHAIR:** So \$15,000 is not quite low now?

**Mr GIFFORD:** It is not about the dollar value, particularly for the kinds of companies that you are referring to. I know, from my experience, that it is not the amount of money. It is the fact—

**The CHAIR:** It is not while it is that low.

**Mr GIFFORD:** It is the fact that they were issued with a penalty and it is the fact that that is publicly reported. It is about their reputation for some of those Australian Stock Exchange-listed companies.

**The CHAIR:** You are aware that over, say, the last five years the Mount Arthur coalmine, which I think is one of the biggest open-cut coalmines in the State—your department went to Muswellbrook and heard a lot of concern in relation to the pollution from that mine. You are aware and would agree that over the five years the penalty infringement notices that have been issued to Mount Arthur coalmine have not been enough. It has had quite a few infringements over the five-year period. That is correct, is it not?

**Mr GIFFORD:** I do not know exactly what the—

**The CHAIR:** Could you take that on notice?

**Mr GIFFORD:** We could take that on notice, yes.

**The Hon. MARK BUTTIGIEG:** Mr Cleland, I will pursue that previous line of questioning that we tailed off on earlier, regarding job-saving measures. In order to align the organisation over the next regulatory period with the draft direction that we now possess and that will, hopefully, one day become a permanent direction, can you outline to us what measures you are looking at? You would have saved a hypothecated amount from the job cuts and now you have to find it from somewhere else, so what sort of measures are you looking at taking?

**Mr CLELAND:** Sure, and noting at the outset that labour, as I said earlier, is 46 per cent to 50 per cent of our cost base, and clearly—

**The Hon. MARK BUTTIGIEG:** Which leaves 50 per cent elsewhere for other savings.

**Mr CLELAND:** But the majority of other savings we measurably pursue will only be partially realised until we can capture the labour benefits as well. Let me just run through a list of things that we are working on at the moment. We are looking at capital initiatives, including a more risk-based approach to asset management, which means we will actually do less work on the network to achieve the same risk outcomes; improved governance frameworks; consideration and implementation of alternate technologies, particularly in the asset management space; and a more integrated works-planning-dispatch process to optimise our actual service delivery, if you like, or field delivery. We are also looking to automate manual processes, to bundle tasks to reduce duplication and then adopting technologies such as drones and other forms of ground-based network inspections. In addition to that, we will continue, as I described last time, to assess opportunities to utilise our workforce in other ways, including the contestable markets.

**The Hon. MARK BUTTIGIEG:** I want to pursue that a little bit because, last time, the flavour of the response was that—it sounds a little bit uncharitable, I do not mean it to sound like this, but it was a little bit dismissive in that your response was, "Well, we have looked into this before. It is actually not profitable, given our franchise area is largely regional. You will have to ask the other people." Ausgrid and Endeavour Energy were the emblematic examples used of people in that contestable market. Have you drilled into that a bit more? I also want to tack onto that question: Have you had any dialogue with the Electrical Trades Union [ETU], a major stakeholder, and the other unions—United Services Union [USU] and Professionals Australia—in this area? My understanding is that they are actively willing to engage the company and work cooperatively because I would have thought that there is mutual self-interest in this area.

**Mr CLELAND:** Yes. I do refer to the statement I made last year in relation to the challenges, if you like, of pursuing, on an economic basis, a presence in the contestable market. I particularly emphasise the point I made in relation to Essential Energy entering the contestable market would not increase the size of it and therefore we would be needing to win work by taking it away from existing service providers within that market. And so that would mean potentially displacing existing roles in other entities. In answer to your question around dialogue with the ETU and other unions with respect to this issue, yes, that is ongoing. There have not been, to the best of my knowledge, specific discussions since the last hearing, however, we are working internally on that.

**The Hon. MARK BUTTIGIEG:** Can you understand why I would be a bit bemused by that response and the ETU would be too, given the nature of what has happened between then and now in terms of media on it, the insecurity along with it and the fact that the Minister was quite chuffed that he had achieved this result and the ETU were over the moon apparently, but you have not sat down and talked to them about how you secure these jobs into the future?

**Mr CLELAND:** Most of the focus at the moment is on the internal process of further assessing the options available to us.

**The Hon. MARK BUTTIGIEG:** Can I suggest to you, Mr Cleland, that these people—I am talking about Electrical Trades Union members but also USU members and Professionals Australia, which are the major unionised workforce stakeholders—have resident subject-matter expertise in these areas, which is sometimes surprising to management in terms of the value they add to these sorts of consultative processes in finding cost-saving measures. Can you give us an undertaking that you will engage those unions as soon as possible?

**Mr CLELAND:** I give an undertaking that we will continue to engage the unions on this matter.

**The Hon. MARK BUTTIGIEG:** When you said "continue", you have not done it.

**Mr CLELAND:** Well we have not done it since the last hearing.

**The Hon. MARK BUTTIGIEG:** You just told me that nothing has happened.

**Mr CLELAND:** Correct. Let me also say that we will continue to engage with our workforce and every person in our workforce on these matters, as we have been doing.

**The Hon. MARK BUTTIGIEG:** Specifically with those unions and their members—can I get that undertaking here?

**Mr CLELAND:** We will continue to engage with our workforce on these matters and assess the options available.

**The Hon. MARK BUTTIGIEG:** Again, workforce is one thing and the secretaries of those unions and their various delegates is another thing. Will you undertake to use those conduits to the workforce as well?

**Mr CLELAND:** I believe I already have, so yes we will.

**The Hon. MARK BUTTIGIEG:** Great. I want to go to one of your earlier comments with regards to the declining revenue that is likely to occur over successive regulatory periods given the AER penchant for, to be frank, hammering networks. My understanding is the network portion of the average consumer bill in New South Wales across Essential, Ausgrid, Endeavour and the whole franchise has come down quite dramatically. The only extra potential for electricity price reduction now lies in the retail market. Is it true to say that you have already been cut to the bone and if the regulator kept cutting that it would be hard to find where those savings would come from?

**Mr CLELAND:** I think I would respond to that by saying the benchmarking we have done in respect to Essential Energy—and I am only speaking for Essential, not others—suggests there is significant further efficiencies that can be achieved in the business over time and with significant investment in systems and technology to continue to reduce costs and ultimately reduce distribution charges.

**The Hon. MARK BUTTIGIEG:** Do you think the AER, notwithstanding the fact that it has already given you some quite savage cuts over the last couple of regulatory periods, contributing to falling electricity prices, are likely to keep doing that into the future which will feed into further pressure on labour?

**Mr CLELAND:** I cannot speak for what the AER will do in future periods. I can say, as I just said, that our benchmarking suggests that there are further efficiencies we can achieve in time.

**The Hon. MARK BUTTIGIEG:** Without necessarily having to shed labour?

**Mr CLELAND:** Further efficiencies we can achieve in terms of lowering distribution charges and so lowering our total cost base, of which labour is a significant portion.

**The Hon. MARK BUTTIGIEG:** So it is likely to include labour. What is the ratio of senior managers or managers to frontline staff? My understanding is that there is an industry standard for these sorts of things. Some distributors are up around 1.3 or 1.4 to one, others are lower. Are you aware of what the ratio is at Essential?

**Mr CLELAND:** No, I do not have that number in front of me.

**The Hon. MARK BUTTIGIEG:** Can you get that for us on notice?

**Mr CLELAND:** Sure.

**The Hon. MARK BUTTIGIEG:** I want to take you through some of the previous line of questioning in the earlier substantive budget estimates with regards to network faults. We traversed some ground regarding a company that you contracted called WaveCorp which did a two week survey of the network and found several incidents, about 115, of partial discharge. Your response as to why that was not acted on was that partial discharge—I am paraphrasing—is not necessarily a leading indicator of a developing fault. On what basis do you come to that decision? In other words, you said that "partial discharge is too low to worry about, generally speaking, so we pretty much told them to go away because we have got our own technology that is more accurate". That was the gist of your response I think.

**Mr CLELAND:** That was the response in the supplementary? I took the question on notice and provided the information.

**The Hon. MARK BUTTIGIEG:** No, that is right.

**Mr CLELAND:** Specifically what we said was that in respect of those 115 or 116 indications there are no outstanding actions in relation to them and there have been no failures in relation to those noted occurrences.

**The Hon. MARK BUTTIGIEG:** Of those 115 that were taken in 2017, I think.

**Mr CLELAND:** Correct.

**The Hon. MARK BUTTIGIEG:** Had there been any remedial action on any of those which would have forestalled a failure?

**Mr CLELAND:** I do not have that information to hand. I can simply say that there are no outstanding actions in relation to any of them. I will further add—and I am going to quote directly from the information that was provided—"The trial also highlighted that the instrument tested offered no additional benefits to our existing methods that ranged from site-specific partial discharge inspections, dedicated pole site inspections through to aircraft LIDAR, light detection and ranging, and drone high resolution pole top topography." I will also add to that that our discussions with other participants in the industry and other distribution centre providers indicates that no other network has picked up on the technology offered.

**The Hon. MARK BUTTIGIEG:** Except that it is being used in New Zealand by PowerCorp, I think. Will you provide on notice for any of those 115, or how many there were, what remedial action was taken in that two-year period so we can get a sense of perhaps a quantum of what was fixed, which would have forestalled any potential failures? Is that possible?

**Mr CLELAND:** I will take the question on notice and ascertain whether the data is available.

**The Hon. MARK BUTTIGIEG:** The WaveCorp document I tabled last time documented several incidents and there were photographs of some of them. I want to point out a couple I have here whereby the original photographs taken back in September 2017 clearly show—this is without the ultrasound; it is just visible tracking across 33,000 or 66,000 vault cross-arms—that that has been happening. The same photograph from outside the substation in September of this year shows that the tracking and the burn marks are still there. These were picked up by the initial partial discharge ultrasound tests and they clearly have not been rectified. I would have thought that that poses a significant threat not only to employees but also the public in terms of potential for insulators to explode or someone touching that pole and perhaps getting leakage down the pole. I am happy to provide those for you if you like. You said there were no outstanding items or failures. Clearly that is just one example of where this methodology has picked up the partial discharge and it has been pointed out to you by the company and it clearly has not been rectified.

**Mr CLELAND:** I will take this matter on notice. I am not qualified to assess the inherent risks associated with faults on photographs provided to me in this context. I will need to refer that back to people in the business. I also need to ascertain the extent to which each of these identified faults have been reviewed. It may well be the case that, yes, there are signs of partial discharge but not considered serious enough to rectify prior to the next maintenance cycle.

**The Hon. MARK BUTTIGIEG:** I am simply pointing out that as a result of the 2017 two week trial conducted by WaveCorp it has picked up 115 partial discharge which they say is a leading indicator of a developing fault. In fact, I think one of the people you quote in your reply, EA Technologies, actually states on its website "non-intrusive partial discharge protection provides a means of identifying these potential sources of insulation failure that result not only in the loss of supply to customers but can also endanger staff." I understand you use EA Technology. They are saying on their website that partial discharge is a leading indicator of faults. I have simply pointed out to you one example of potentially 115 where it is visibly obvious that that tracking has occurred and has not been rectified, notwithstanding the fact that you were availed of this two months ago, six weeks ago. Is that a concern to you, that this has not been followed up?

**Mr CLELAND:** Let me repeat what I have already said. No outstanding actions relate to those 116 indications. That implies that these have been inspected and there are no outstanding issues—

**The Hon. MARK BUTTIGIEG:** I have just shown you a photo, Mr Cleland, of one that is clearly tracking across and carbonisation on a cross-arm. It does not take an electrician to work out what is going on there. There is leakage going down the pole. Are you suggesting to me that that has been inspected and it is deemed to be okay?

**Mr CLELAND:** As I have already indicated, I will take that on notice and confirm the specifics. I do not know if it is possible from this photograph to actually identify the location or pole number. It is probably not, which makes it difficult to answer specific—

**The Hon. MARK BUTTIGIEG:** That is okay. Having that dropped on you at the eleventh hour, I do not expect you to answer here and now. I am simply pointing out that if that is indicative of the follow-up that has

gone on I would have serious concerns for employees in that industry and the public. I assume as CEO of that company that you would too. If we could get an answer on that, that would be very important, I would have thought. It concerns me a bit that after it was pointed out perhaps the level of thoroughness was not followed up. I understand it is up at Old Bar, the Bohnock substation. Does that ring any bells? I think that is the location of it. I can provide you with that detail anyway. It is all in that file that I tabled as part of the Committee because there were documented photos of every incident. It will be in there but I am happy to correspond with you on that.

**Mr CLELAND:** Okay, thank you.

**The CHAIR:** Thank you very much for appearing at the supplementary budget estimates hearing for Energy and Environment. We are finished with questioning. The Committee secretariat will be in touch in the near future regarding any questions on notice and supplementary questions, answers to which will be due in 21 days. Thank you.

**(The witnesses withdrew.)**

**The Committee proceeded to deliberate.**