

Allison Waddington

From: Bill Fleming <solo510@gmx.com>
Sent: Monday, 16 May 2016 12:31 AM
To: PAC
Subject: Inquiry into the financial position and performance of Government owned energy entities

Re, **Inquiry into the financial position and performance of Government owned energy entities**

Hello Ms Gabriel Woods.

Please pass my recommendations to the committee.

My background;

Firstly I am now retired but I was a Power System Coordinator with Hydro and then Tas Networks with an Electrical Engineering Diploma. I did schedule all Hydro generators on a daily basis and plan their involvement within the system with a long term view to efficiency. This process was well established and proven through efficiency to get us through each year. We had target levels that would guide our decisions but the missing target levels were those of Great Lake and Gordon. This was not an issue before Basslink as their annual variation of levels did indicate either the degree of effective rainfall (drought or flood) or that the generating capacity of the system was due for another addition. When Basslink arrived, we did not have a minimum target level on Gordon and Great Lake and therefore opened the opportunity to raise revenue by taking risks that Hydro would not normally take.

My main concern is that government business is being used as revenue for government in an intermittent and unpredictable way.

In more recent times as a result of carbon crediting, Hydro did raise considerable money. Unfortunately this has continued to be used by government without due respect for the safe operation of the available water in storage. I would like to suggest that a serious attempt be made by government to reduce utility debt. In this way, money saved in interest repayments could be used by government instead of placing considerable stress on government to sell the utility.

The present situation where a utility continues to raise debt is not sustainable especially where interest rates may rise. The community is becoming poorer through the loss of resource exports, manufacturing and business. This situation will reflect in much lower revenue for government in the future and should be a major deciding factor in these matters. In short, all utilities should be set up to reduce debt to zero, only borrowing for large projects. By this method government would have greater funds to use instead of paying it out as interest. The community contribution is approaching finite with some reports suggesting utilities are now in competition with food for some families.

Hydro and Tas Networks should be re-combined.

The original concept has not worked for Tasmania and has resulted in a duplication of the whole management structures, planning, maintenance, operations and much more. Both utilities have a common interest and historically performed well together. We used to have two operators on shift for the entire system plus support staff. Currently Hydro and Tas Networks each have separate control rooms, support staff, computer systems, software, engineering staff, maintenance and more.

Every major event now requires involvement of the two utilities as well as the market operator and many more people are involved in the background paper creation. This has been a gross in-efficiency as a result of our entry into National Electricity Market.

Hydro operations used to focus on efficiency of water use, this has been replaced by a dollar target. The reality of a Hydro system is that the value of output does not vary every 5 minutes as is now the basis of the national market. The whole national market has become little more than a game. Tasmania would be financially better off leaving the national market. We could continue to buy and sell into it but not be constrained by the inefficiencies, high costs and expectations.

There are good opportunities in pump storage to increase the import/export of power to Tasmania's unique advantage using a duplicate Basslink cable but I have dealt with this in previous proposal. Please contact me if you require details.

Political interference in the day to day operations of utilities.

When set to the task of returning the best value to government, Hydro and Tas Networks do possess the desired skills and engineering based rules to achieve an excellent result.

Political interference does stress engineering based decisions and maximum efficiency can be contaminated. The present situation of low lake levels is a direct result of selling too much power when prudent operations would have done otherwise. It is unfortunate the Basslink cable failed but this should have been one of the contingencies raised to reduce the impact of the unfortunate event.

Hydro and Tas Networks are very skilled to advise the minister and this should be received and given due respect. Looking back on the decision to go ahead with Basslink and then to push for competition using a private operator in the gas fired Bell Bay power station was a gross error. The desire to satisfy the then trend for competition is understood but it was seriously flawed.

When Aurora gained the gas power station we had a state short of funds (normal situation) a Basslink cable of annual cost around \$90 million and competing gas power station. The reality was that if the gas station ran, then the most likely result that it would force Hydro toward a spill situation. Extending from this, it may be logical to imply that where Hydro was capable of supplying the state the competing generation constructed to lower the price of power actually forced Hydro toward spill, required a billion dollars of gas infrastructure, a billion dollars for Basslink with an outrageous cost to the consumers. In fact the rise in the cost of power and the present financial demise of the government should focus upon this. In summary, to appease the national market, we have spent around 2 billion dollars to bring gas from Victoria to generate power in a now uncompetitive power station and then return it to the mainland at a considerably higher price than we could have done it before.

In summary:

1. Set minimum operating levels for Lake Gordon and Great Lake. Regardless of Basslink operation, these levels would be given over riding weight in the calculation to import/export.
2. All utilities should set a target of zero debt. Borrowing restricts funds for daily operations and the public should not be sourced for this.
3. Re combine Hydro and Tas Networks for greater efficiency and reduction of duplication. Overall operations would benefit by combining the control rooms and all other duplications.
4. Government should review Tasmania's involvement in the National Electricity Market. This is a very large cost to Tasmania and an audit of the processes and costs may reveal many advantages.
5. Once a utility has been given a target and is constrained by it's normal regulatory obligations, political interference in the day to day operations should be prevented especially when seeking revenue in difficult times.
6. Now that the Gas fired plant is established at Bell Bay, it should be retained and not sold. We should at least benefit from our investment for the duration of it's expected life.

7. A second (larger) Basslink should be considered in conjunction with Hydro Pump/Storage. There may be an opportunity to offer around 1000mW to the mainland market. Local power system protection schemes should cope once new strategies are in place.

Regards

William Fleming
42 Trafalgar Drive
Prospect Vale
Solo510@gmx.com

Phone (03) 63449033