

Attachment – response to Questions on Notice

Hydro Tasmania provides the following response to the questions taken on notice following the Public Account Committee hearing held on 20 June 2016.

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Question 1

In the 2014-15 Budget a dividend from Hydro of \$75 million was projected for 2017-18 FY:

- a. Was this determined by Government with or without consultation with Hydro Tasmania?*
- b. If consultation occurred regarding this decision when did this occur and what was the nature of the consultation?*
- c. Was the sale of the CCGT at TVPS and the revenue that the sale would have generated a factor or consideration in the decision to forecast this dividend?*

Response to Question 1

Hydro Tasmania has a process of regular and ongoing consultation with the Government on our financial position; this includes providing financial information to assist in the formulation of the State budget each year. What the Government allows in its budget for revenue from Hydro Tasmania is ultimately a matter for Government, which, for example, may take a different view to Hydro Tasmania on assumptions within Hydro Tasmania's forecasts or Government policies in respect of dividends. This consultation occurred as usual prior to the 2014-15 State Budget.

No, there was no linkage between sale of the CCGT unit and dividends for the 2014/2015 State Budget. However, Hydro Tasmania is committed to maximising the value of the business by being as efficient and low cost as possible. By improving efficiencies Hydro Tasmania is able to improve returns to the state. With this in mind, throughout early 2014, Hydro Tasmania was continuing to explore options to optimise Tamar Valley Power Station in its portfolio, consistent with the mandate given to it by Government, on the transfer of AETV in June 2013, "to optimise [AETV's] operation with the broader generation portfolio".

Question 2

When did the Government advise Hydro that the sale of CCGT was not to be taken forward?

Response to Question 2

The Minister for Energy advised Hydro Tasmania that the Government no longer supported the sale of the CCGT on 22 December 2015. This is consistent with the response that Stephen Davy provided at the 20 June Public Accounts Committee hearing, "approval from the Government to investigate that sale was withdrawn when Basslink suffered its undersea cable failure."¹

Question 3

Please provide copies of Corporate Plans and Statements of Corporate Intent in the years leading up to carbon tax period and any correspondence, or communication, between Government and Hydro Tasmania seeking to alter or amend the terms of the relevant Corporate Plans or Statements of Corporate Intent.

Response to Question 3

Hydro Tasmania has provided copies of these documents to the PAC on a confidential basis.

Question 4

Was the optimisation of TVPS document (appendix no. 21) brought to the notice of Government?

¹ Page 42 of the Public Accounts, Hobart 20/6/16 Hansard.

Response to Question 4

Yes, the optimisation of TVPS presentation was presented to the Minister and Treasurer in October 2014.

Question 5

What changes were made to the operational status of the CCGT at the TVPS during August 2015 when the facility was put into dry lay-up? What operational status was the CCGT in prior to this time?

Response to Question 5

In August 2015, Hydro Tasmania reduced staffing at Tamar Valley Power Station (by ~12 FTEs) to the level required to maintain the CCGT unit for future operation (dry layup) and for ongoing operation of the open cycle units. No changes were made to the operational status of the CCGT at this time.

Question 6

Why did TGP discontinue negotiations with Hydro Tasmania in February 2015, and were they advised at any point that the contract would not be re-negotiated?

Response to Question 6

Hydro Tasmania has provided the PAC with further details of TGP negotiations, on a confidential basis. Hydro Tasmania has not advised TGP at any point that the gas transportation contract with TGP for TVPS would not be re-negotiated.

Question 7

At what date did work start on developing the Energy Supply Plan?

Response to Question 7

Elements of the Energy Supply Plan were in progress prior to the commencement of the Basslink outage on 20 December 2015. This was because the energy supply situation was caused by the combination of record low inflows to hydro storages over spring 2015 and the Basslink outage.

Basslink Pty Ltd (BPL) announced on 12 February 2016 that it was taking longer than anticipated to identify the cable fault location and that the previously announced forecast return-to-service date of end of March may not be achieved. This necessitated Hydro Tasmania to escalate planning for an extended Basslink outage.

The Energy Supply Plan was submitted to, discussed and endorsed by the Cabinet Energy Security Sub-Committee.

Question 8

How many meetings were held with Minister Groom between 22 December 2015 and the first Energy Security Sub-committee meeting on 15 January 2016? Where were these meetings held? Which meetings were in person and which were held by telephone?

Response to Question 8

The following meetings and telephone calls were held with Minister Groom between 22 December 2015 and 15 January 2016:

- 5 Meetings with CEO & Minister (including 3 with Chairman)
- 8 Telephone calls from CEO to the Minister
- 17 Telephone calls from Minister to CEO
- 2 Telephone calls from Chairman to the Minister
- 2 Telephone calls from Minister to the Chairman

In addition to the direct meetings between the Minister and the CEO and Chairman of Hydro Tasmania noted above, numerous other meetings occurred between officers of Hydro Tasmania and Government officials during this time including: the Minister's office, Treasurer's office and Premier's office. Hydro Tasmania also presented to three meetings of the Water Storage Advisory Committee during this period, which prepares advice to the Minister for Energy.

Question 9

What has been the cost of the facility interest swap fee over the period of the Basslink outage?

Response to Question 9

This answer is commercial in confidence.

Question 10

Please provide a copy of the draft Ministerial Charter.

Response to Question 10

Hydro Tasmania requested that the Committee seek this material from Government.

Question 11

Please confirm the status of all documents provided to the Committee in terms of whole and/or part of documents that need to remain confidential. Please provide an explanation for each document for which confidentiality is sought as to the rationale for this request.

Response to Question 11

Hydro Tasmania has discussed this with the Committee.

Question 12

Was load reduction a strategy considered by Hydro Tasmania for the Major Industrials after the fault occurred in Basslink:

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- a. Before or after it was announced by the Major Industrials; and*
- b. Had the Major Industrials been consulted with prior to the announcement?*

Response to Question 12

The load reduction strategy for major industrials was initiated by Hydro Tasmania, through discussions with major industrial customers. Consequently, it was considered by Hydro Tasmania before it was announced by the major industrial customers. Hydro Tasmania and the relevant major industrial customer consulted on each load reduction announcement.