

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

Tuesday 4 December 2018

MEMBERS

Mr Finch
Ms Forrest (Chair)
Mr Gaffney
Ms Lovell (Deputy Chair)
Mr Valentine
Mr Willie

IN ATTENDANCE

Hon. Guy Barnett MP, Minister for Energy

Ministerial Office

Mr Ashley Bastock, Chief of Staff
Ms Vanessa Pinto, Senior Adviser

Aurora Energy

Professor Mary O'Kane, Chair, Aurora Energy Board
Mrs Rebecca Kardos, Chief Executive Officer
Mr Grant Russell, Chief Operating Officer
Mr Kane Ingham, General Manager Commercial Services
Ms Melinda Percival, General Manager Marketing & Product
Mr Chris Warr, Manager Corporate Affairs & Stakeholder Relations

The committee resumed at 1.15 p.m.

CHAIR (Ms Forrest)- Thank you all for coming. Welcome, minister.

Mr BARNETT - Thanks, Chair. I am pleased to be here with Aurora Energy. It is good to be here for the GBE scrutiny hearing for Aurora Energy for the 2017-18 financial year performance and it is a pleasure to welcome our new Chair of the Aurora Energy Board, Professor Mary O'Kane.

As Energy minister, I am excited to work with Aurora Energy to implement the Government's Tasmania-First Energy Policy to drive lower power prices and to empower the people and businesses of Tasmania with the information and tools needed to manage their energy costs. Aurora Energy's role is critical in delivering our Tasmania-First Energy Policy and, most importantly, in looking after the needs of the people and businesses of Tasmania with a never-ending focus on the customer.

Tasmanians now experience the lowest regulated prices in the nation according to the Tasmanian Economic Regulator in its June report on the national comparison of standing electricity prices and that is very good news. Aurora Energy's relentless focus on reducing operating costs has supported that objective, with this year's expenditure of \$36.9 million achieving a significant saving of 10 per cent compared to 2014-15. Their business management skills have resulted in Aurora Energy delivering another year of solid performance, returning a profit after-tax result of \$13.2 million and delivering a \$23.3 million in return to the Tasmanian Government.

Aurora Energy is focused on the customer, continuously improving customer experience, responding to customer feedback received through Aurora's Voice of the Customer program, which has led to significantly above-target results for customer satisfaction and loyalty and a reduction in call wait times. Aurora Energy expanded the scope of the Yes program with close to 2000 new participants receiving support and over 900 customers successfully completing the program and back on track with managing their energy bills. This aligns with the Government's strategy to keep the price of electricity down and to empower energy consumers with the information and tools to better manage their energy use and energy accounts.

In line with looking after the needs of the people, Aurora Energy supported the Government's \$10.5 million Special Energy Bonus scheme, delivering a one-off bonus of \$125 to all pensioner concession and Commonwealth Seniors Health Card holders. Aurora Energy and the Tasmanian Government also extended the highly successful \$20 million Tasmanian Energy Efficiency Loan Scheme for another year running, providing access to over \$28 million in loans to nearly 3500 applicants since this highly success program started in 2017.

Aurora Energy's focus on customer empowerment extends to the business community as well, supporting the Government with a provision of energy rebates worth up to \$20 million to our commercial and industrial business market. In support of the Government's on-farm energy policy, Aurora launched a farm energy advocate service that offers farm business customers special advice and information on managing their energy usage and costs. Delivering innovative solutions, Aurora Energy has developed the new Pay As You Go Plus replacement product, which will utilise advanced meter technology to provide customers with greater visibility and control over their energy use. I saw that firsthand on the weekend with a trial participant in Launceston. Aurora Energy also provided support to more than 60 not-for-profit community organisations and activities, both statewide and in regional centres across Tasmania.

I acknowledge that Aurora Energy has delivered a number of these significant achievements under the guidance of its recently retired chair Caryle Demarte, and I thank Caryle for her service. Caryle maintained a core focus on serving the changing needs of the Tasmanian customers while maintaining good governance and guiding the business through a period of rapid change and evolution in the regulatory environment.

It is now my pleasure to hand over to the newly appointed Chair, Professor Mary O'Kane, who joins Aurora Energy with a wealth of experience, serving on several boards and committees in the public and private sectors, including as chair of the Australian Centre for Renewable Energy. Thank you.

PROF. O'KANE - Minister, Madam Chair, I am very pleased to appear before you today in my first official role, as you heard from the minister, as Chair of Aurora Energy.

As is well known, the National Electricity Market - NEM - is in a period of disruption and rapid change. Within this context, energy retailers will play a significant role in supporting their customers with new service propositions and through pricing. Aurora Energy is well placed to fulfil this function of serving customers well in this time of great change, and I am excited to be appointed chair of an energy retailer with an opportunity to make a firsthand, positive impact on its Tasmanian customers.

As an energy retailer, Aurora Energy already has a very good reputation nationally, as I found when I did my due diligence for this role. It particularly has that because of the manner in which it assists its vulnerable customers, and as an energy retailer focused on delivering exceptional service. It is one that plays a proactive role in advocating for its customers, taking national leadership on key issues affecting the Tasmanian market to ensure the interests of Tasmanian energy consumers are well represented. It is one which develops new technology to meet customer needs, and we know they are changing and will change further, by creating new products such as Aurora Pay As You Go Plus.

It is one committed to continuing to support the NEM's increasing renewable energy generation through its agreement with Goldwind, which will see the construction of a 144-megawatt windfarm at Wild Cattle Hill in the Central Highlands. It is one which supports its customers to improve energy efficiency and affordability via its continued expansion of the Your Energy Support -YES - program, an extension of the Tasmanian Energy Efficiency Loan Scheme - TEELS - in partnership with Westpac and the Tasmanian Government. It is one that works actively in the community targeting projects and programs that make a practical and positive difference in the lives of Tasmanians through community partnerships with organisations such as the Alannah and Madeline Foundation and the Smith Family.

The next phase of Aurora Energy will build on all these wonderful initiatives as the business embarks on a customer-led journey guided by its new strategy. I believe I am well placed through my experience serving on boards and committees the minister has alluded to, especially ones dealing with energy matters, as well as having been the New South Wales inaugural chief scientist and engineer for nine years, chairing the NSW Energy Security Taskforce in 2017 to keep the lights on in the summer and being a member of last year's Finkel review. Out of all that, I think I am able to assist Aurora Energy to deliver on its vision and to reimagine Tasmania's energy experience. I look forward to embracing the next phase of Aurora Energy and bringing my skills and experience in the sector to enhance both the work of Aurora Energy and, more generally, the value for customers here. Thank you.

CHAIR - Thank you. Would Mrs Kardos like to speak?

Mrs KARDOS - I will make some opening remarks. I thank you for inviting us to appear before the committee today. We are really pleased at the opportunity present on Aurora Energy's performance in 2017-18. Alongside supporting our customers and making a practical difference in the community, we have also continued to keep a focus on embedding a low-cost operating model at Aurora Energy. The 2017-18 year has been characterised by the era of change in energy more broadly. As outlined in our annual report, metering competition has been one of those significant national reform agendas. As a result of the Power of Choice metering competition we took over responsibility for metering for all new and replacement meters and we are now taking a market-led approach to advance metering across Tasmania. We also participated in the ACCC's Retail Electricity Pricing Inquiry. This was an extensive review, where 10 years detailed financial data was provided, and the ACCC found Aurora Energy to have among the lowest level of retail costs in the NEM. The ACCC also highlighted Aurora Energy's vulnerable customer program in its final report and noted to the rest of the industry, these sorts of programs have the potential to make a big impact on the lives of consumers.

In addition, we have also contributed to numerous national rule changes, regulatory reviews and policy dialogues while prudently managing significant national wholesale market risks as the NEM continues to be disrupted. It is important to note through all of this change, we have kept our focus on Tasmania. We have expanded the reach of the Your Energy Support Program, a vulnerable customer program, and have extended this to an additional 1923 Tasmanians who have challenges with energy affordability. We have now assisted more than 7600 Tasmanians since the inception of the program in November 2014. Through this we have continued to further cement our relationships with Anglicare, and now have one financial councillor who spends two days a week with us in our Hobart office. Burt is there today; he sits outside my office.

In addition, we have extended the TEELs program in conjunction with the state Government. This has seen a phenomenal take up where Tasmanians have embraced the opportunity to make energy efficient changes within their home, with the support of interest-free finance. We have continued to support the no-interest loans network of Tasmania with delivery of the Energy Saver Loan and Subsidy Program. Through our support, concession customers can have 50 per cent off the purchase and installation cost of changes to their homes in the investment of energy efficiency products. For our large business customers, we started to investigate the role we could play in the delivery of renewable energy solutions, which is best demonstrated with our partnership with SRT Logistics. They are one of our large customers and we have successfully implemented the establishment of a large solar PV pilot.

Most significantly, we also are bringing the next generation of Pay As You Go to market with Aurora Pay As You Go Plus. It is not a particularly innovative name, but the plus signifies it has all the same features we know Tasmanians love about pay as you go, but enhanced features of the control, with greater insight of when are they using energy, but also in terms of convenience and how they can pay for the energy. We continue to recognise the practical difference we can make within our community and have supported more than 60 not-for-profit community organisations, both statewide and at the community level. It is important and I draw attention to the passion and commitment of the people at Aurora Energy. They are passionate Tasmanians and really take strong responsibility for the important role they can do supporting their fellow Tasmanians. It has to be acknowledged it has been a tough and challenging year. But through all of the challenges, they have remained committed to deliver excellent customer service, demonstrated through our

above-target performance of our Voice of Customer Program. Even though it has been a tumultuous year, their continued passion and dedication is evident. We achieved a sound financial result with a profit, after tax, of \$13.2 million and delivering \$23.3 million on an accrual basis in returns to government. While this result was below budget, once you take into account the \$10.1 million for the Special Energy Bonus, we have again exceeded our financial targets for this year.

In summary, creating and delivering value to Tasmanians, while achieving sound returns for our Tasmanian shareholders, continues to be central to Aurora Energy's performance in 2017-18. As a result, we are in a good position to navigate through the emerging landscape of energy in Australia and leveraging opportunities for the advantage of Tasmanians. We will continue to retain our focus on Tasmanians and ensure we are delivering to meet their needs, not only today but also tomorrow.

CHAIR - Thank you. To pick up from some of your later comments. Aurora's gross margin is down and part of that is the \$10 million paid as bonus to eligible customers out of your cash would have reduced profit. Then, as you mentioned, Ms Kardos, the dividend and income tax equivalents were lower as a result. What other cost pressures are you are facing that enable you to make as good a contribution in the future back to government, with dividends and income tax equivalents, to see the ongoing picture you paint?

Mr BARNETT - I will ask Rebecca Kardos, the CEO, to address those aspects in your question which relates to the operational business of Aurora Energy. We are very pleased, as a government, to get the profit and the return in dividends.

Mrs KARDOS - As outlined, we continue on a sound financial footing. If you look at our forward outlook, the level of returns with profit after tax and returns to government does decline. That is acknowledging the increasing pressure we have as a retailer and we incur a number of costs which we then seek to retrieve from our customers and we are seeing increasing challenges. Some of the key specifics will be that as customers continue to reduce their energy use, we will see a decline in consumption and how we recover our costs is through the kilowatt hours consumed.

When you look at the financial outlook, we are still on a sound financial footing over the next four years and are confident we can continue to provide reasonable returns to government over that period.

CHAIR - What about the impact of solar panels and emerging battery storage? It is not a huge thing in the state at the moment, but is happening. What impact is it likely to have and what modelling is on this? I note earnings have been negatively affected by an unexpected 112 per cent increase in small-scale technology certificates, required to be acquitted for the six months to the 30 June. Can you address both of those issues, minister?

Mrs KARDOS - I will start with the latter. The small-scale certificates impacted our financial performance in 2017-18. However, we are able to recover this in the next price period. The price mechanism we operate in allows us to recover under-recoveries from previous years. That is an effect we had, but we are confident we will recover those costs in this financial year.

CHAIR - Can you explain more fully how it works, if you would not mind, for the benefit of all members and people who might be watching?

Mrs KARDOS - When we do our price submission to the Tasmanian Economic Regulator, we forecast what consumption will be and what the small-scale technology certificate percentage will be. These are forecasts. When the actual figure comes in there is an 'overs and unders' process within that submission that allows us, if we have over-recovered and we have the percentage too high, the following year to give that over-recovery back to customers. There is the under-recovery process as well where, if the percentage is too low, we can then recover that lost revenue in the following year. It has been embedded in the price submission process since its inception. Kane, is there anything you would like to add to that?

Mr INGHAM - No, that covers it. Essentially, we are able to recover higher costs that are not factored in the current pricing in the following price set.

CHAIR - The unexpected 112 per cent pay rise was unexpected. Why was it unexpected then?

Mrs KARDOS - The small-scale technology percentage is determined by the federal regulator, whose name escapes me at the moment.

Mr BARNETT - You are not thinking of Joe Dimasi?

Mrs KARDOS - No, not the Tasmanian, the federal regulator.

Mr INGHAM - Who sets it for the entire national market.

Mrs KARDOS - The uptake of solar panels was far higher than what they expected. As a result, the percentage was increased in line with that increased uptake.

CHAIR - So that feeds into the other without trying to use a pun.

Mrs KARDOS - There is that flowthrough impact and as a result we saw a significant uplift in our costs associated with that. Because that scheme operates on a calendar year, not a financial year, we saw the impact in the last financial year. As I said, we can recover that under-recovery.

CHAIR - That is that issue, yes. Solar panels and batteries.

Mrs KARDOS - Going back to solar - you are right. As more customers self-generate and meet their own energy needs, they are buying off the product we sell and that is having a slow but steady impact on our profitability. That is something we take into account in our corporate planning. In Tasmania, because our level of solar hours is far lower, the impact is not to the same extent as what you will find in south-east Queensland or the state where I was previously, in Western Australia, where the uptake is massive and it is now having a material impact on those businesses. We are not seeing that level of impact. We are seeing about 2000 new customers year on year.

CHAIR - That is just with solar panels, not with batteries?

Mrs KARDOS - Just with solar panels. Battery, as you said, yes - the price is prohibitive for the average customer today but it is likely those prices will come down and that is something in our forward planning that is a key risk. What does that mean? We support customers to have the

ability to invest and make the choices within their home on how best to source their energy needs, but we also have a responsibility to ensure we are providing a service to all Tasmanians in meeting their energy needs. We are doing that in a low-cost but also sustainable manner in the long term. We keep a really close eye on that. We have not done any specific modelling on batteries, but that is a key area for us to focus on in the years ahead.

Mr BARNETT - Could I add one thing to the CEO's response? There is a flip side to all of this. The flip side is in respect to electric cars. I think we had a discussion some time ago about the merit of electric cars, but the advice I have received from ARENA, the Australian Renewable Energy Agency, is that in 10 years' time an estimated 50 per cent of all cars manufactured would be electric. Of course, if that was the case or anything near it in Tasmania, you would then have an increased use of electricity because there would be a reduced use of petrol or diesel or whatever, and you would be using electricity. There is a flip side but I thought I should mention that. It is visionary, but we are talking about not that many years away. Last night I drove an electric vehicle down to Hobart from Launceston and had a great drive.

CHAIR - It is all downhill from there, so it is easy.

Mr BARNETT - It works well when it is going downhill because you do not use too much charge, but I did stop along the way for a bit of a kick along. It got me to Hobart and it was a good ride in an electric vehicle, and I enjoyed it.

Mr VALENTINE - I have a couple of things about electric vehicles but also about wind power that people sometimes install. Taking wind power into account, are there many domestic wind-powered generators going in and causing a bit of an issue for you in estimating your earnings?

Mr BARNETT - Maybe the CEO could respond. I can talk more about wind but I am not aware of an impact on Aurora Energy.

Mrs KARDOS - I know of some domestic wind power but it is very small. The majority of the domestic and better generation solutions are solar.

We are supporting the 144-megawatt Cattle Hill Wind Farm being built in the Central Highlands. The economics around wind farms have improved dramatically over the last few years and we are very pleased to be able to support that development.

Mr VALENTINE - I will go back to the electric cars. What consideration have you actually given to the implication of electric cars, given the high level of demand, the tariffs that might be used and whether those are staggered tariff times because of the load that might go into the network? You are not the network, I realise that.

Mr BARNETT - Yes, it is a very good question. I will finish on wind. We have the Cattle Hill Wind Farm, which is 144 megawatts, and then you have Granville Harbour. They are under construction and it is our target, by 2022, to be 100 per cent renewable and self-sufficient. The wind is helping us get there.

On your question about electric vehicles, it has been considered but it is still a fair way ahead. It is certainly in our thinking and we support them. The Minister for the Environment has done

quite a bit in this space and has a funding mechanism for the fast-charging stations. They are being rolled out across the state in different towns and cities.

I am not sure if Aurora Energy is involved in that but I will ask the CEO if she has anything further to add.

Mrs KARDOS - There is a government group we are participating in. The minister is correct about the timing of when they will come into the market and we start seeing adoption, and whether that then has an impact on our revenue is speculative. We can all be confident that electric vehicles are part of our future. Whether it is in the next 10 years or next five years is the debatable point.

In our financial modelling, we have made no assumptions about electric vehicle adoption at this point, but we review our models every year. Kane, is there anything further you want to take into account in our financial modelling?

Mr INGHAM - No. Probably the key thing is that electric vehicles will increase the amount of electricity we sell.

Mr VALENTINE - Clearly, that relates to the tariffs that you offer and the demand periods within those tariffs. If you get lots of electric vehicles onto the grid, say, at 5.30 at night when people go home, bang, you have a high demand. It is not so much a problem for you probably as it is for TasNetworks. Have you had conversations with them?

Mr INGHAM - Yes.

Mr BARNETT - That is a really good question and I appreciate it. We are doing a review of time of use of our tariffs. By this time next year, we will have a report and recommendations on time of use of the tariffs. For charging a car overnight, there may be a certain tariff relevant to that particular use and over time period. That review has begun and will take place over the next 12 months.

Mr VALENTINE - Does this look at what the actual infrastructure is capable of handling with TasNetworks? With transformers being overloaded because suddenly in a regional area such as the peninsula people are driving cars with Teslas pulling down power? Are you having those sorts of discussions?

Mr BARNETT - Yes, the review is being undertaken by the Tasmanian Economic Regulator and an independent objective assessment that will be done. I have every expectation they will liaise with not only Aurora Energy, but also with TasNetworks, Hydro and the key stakeholders including the city councils as to where and when people may be using electricity more often or at different times as in the use of electric cars. I have every expectation it will be considered as part of the review.

Mr VALENTINE - It is not far away if you look at the savings people have by going electric and the vehicle offerings different companies are producing.

Mr BARNETT - They are, though they still have to reduce the price of their vehicles to make it economical for consumers to use the electric vehicles, but we are heading in that direction

and Tasmania is well placed, because we have low cost electricity. We have the lowest cost electricity in Australia and are well placed to support electric vehicles.

CHAIR - The Government is considering a policy of trying to introduce electric cars as cars on the list government cars are drawn from. When we have a car, the turnover is 18 months - it does not take very long. When those cars start going back into the market, they will be affordable for many more people and that is when you will see the changes start. I agree with the member for Hobart, it is not actually far away. Let us assume it is not far away, because I sat across the table from TasNetworks a few years ago which said solar panels and batteries were so far off we did not need to think about it and I could not believe I was hearing it. We do not need to fall into that trap. Whereas the member for Hobart was saying there is a real risk of a surge because, they draw down a higher voltage - the kilowatt is drained at the time of a car being charged is higher, it is like a household -

Mr BARNETT - A fast charge.

CHAIR - Yes, it is almost like a household drawing down when everyone is cooking tea at once. What interactions are you having with TasNetworks? It is their infrastructure, but Aurora is going to have the potential benefit of selling the power for these users.

Mr BARNETT - A very good point. I absolutely acknowledge the observations of both yourself, Chair, and Mr Valentine. The Minister of Environment is very keen to progress access to and support for electric cars. Although I am Minister for Energy, I support it, absolutely. With government purchase of vehicles, generally for all government vehicles, it is a matter for Government which is reviewed from time to time. I have every expectation the review would include the merits of electric vehicles. Certainly, as Minister for Energy I can see the merit. This has to be cost effective, but there are certain principles or guidelines the Government gives the purchasing authorities. You have to meet certain guidelines and principles, and the use of electric vehicles and the merit of those will be considered in the purchase decision.

Mr VALENTINE - As long as you can plug them in at work, minister, which I cannot.

Mr BARNETT - Yes, at your work. You would be on a slow charge if you plugged yours in at your office. Not a fast charge.

CHAIR - The collaboration, minister, between Aurora and TasNetworks in relation to how it needs to work together?

Mr BARNETT - Yes, I can check with the CEO. We have regular contact and discussion about a range of things. I will check to see if the CEO wanted to add to anything already been said about liaison discussions with TasNetworks on these or other matters.

Mrs KARDOS - We are aware of the impact it has on the network. We have had discussions with TasNetworks and will be involved with them. They are looking at what network tariffs they need to put in place, with time frames for customers to connect in and to draw down to minimise the potential impact it could have. We will work in conjunction with TasNetworks in the design of the retail tariffs to ensure we minimise the potential impact on the network.

Mr FINCH - I would like to cover feed-in tariffs. I have a long letter here but I have truncated most of it and would like some detail or comment. This is from a pensioner in my

electorate who worked to futureproof her costs. She currently has a total of 39 panels with the assistance of a TEELS loan you mentioned earlier, which afforded 13 further panels to reach the restricted 10-kilowatt hours -

[TBC]

Knowing the amazing profits made by TasNetworks, Hydro and Aurora, current I am quite angry re. the following -

1. I feed into the grid now at the measly rate of 8 cents a kilowatt hour after a \$21 000 investment to ensure my electricity future.
2. I am charged 26 cents by Aurora for my usage.
3. Feed into the grid by many Tasmanian residents with solar installed is then on-sold to Victoria by Tasmania for 17.5 cents per kilowatt hour via the Bass cable.

Where is that integrity in that equation in disadvantaging Tasmanians? It would appear to me Tasmanians are subsidising Victoria. Victoria has a current feed-in rate, since 1 July 2017, of 11 cents. Tasmanians, unlike Victorians, cannot switch providers to reduce their costs so are left in the wilderness by the Tasmanian owned provider. I continue to observe the disadvantage to Tasmanians regarding electricity cost where I am aware the Victorian Government is replacing globes with LED-free of cost to all households and there is a 50 per cent rebate for the installation of solar panels to ensure their future ability to afford electricity.

She is suggesting catch-up is required quickly. Can I have some comments please, minister, from you and the CEO? I want to pass this letter on to Aurora for a reply.

Mr BARNETT - Thank you very much, Mr Finch. I am more than happy to respond to the letter and the concerns raised in the letter. I can understand, at least in part, where your constituent is coming from. To the constituent I will advise that it is very important to be aware, right up-front, that we have the lowest regulated electricity prices in Australia. They are not my words; they are the words of the Economic Regulator in June this year, both for residential and for business customers. That is because we have put a CPI cap over the last few years on electricity prices in Tasmania and that is planned to continue. We have a Tasmania-First Energy goal to have the lowest regulated energy prices in Australia in 2022. We are on track, but there is always more to do.

We have among the most generous concessions for vulnerable customers in Tasmania, and I would like the CEO to outline in further detail those concessions. It is important as decision-makers around this table we are aware of those concessions so we can always inform our constituents accordingly.

We have, through the budget process for commercial and industrial users, provided support through a \$20 million budget support package and another \$10 million support package for this financial year for business.

I would reject strongly the view we are subsidising Victorians, because the whole point of the Tasmania-First Energy Policy is that Tasmanians come first and we have a policy to deliver low-

cost, reliable, clean power in Tasmania. Tasmanian energy is for Tasmanians at Tasmanian prices. The whole point of our Tasmania First Energy Policy is to delink from the National Electricity Market wholesale prices in Victoria, which are very volatile and have been much higher than we have in Tasmania. The policy is to put that in place by mid-2021. By mid-2021, we can delink from the wholesale electricity prices in Victoria and provide even more security.

We are proud of our GBE energy businesses and what they do. As to the allegation they make amazing profits, this Government's position is not to make super profits from our GBE energy businesses but they do and are sustainable, profitable businesses and we expect them to continue to be so. You have heard that is the case from both the chair and CEO this afternoon. Perhaps the CEO might want to speak to that, particularly with respect to the concessions available and anything else in responding as to views of constituents.

Mrs KARDOS - Please forward the letter. We are more than happy to respond to the customer and respond on each of the points she raises. As the minister says, there is a \$503 concession per annum that increases in line with any increase in tariff increases, which increased by 2.05 per cent. The scheme is managed by government and we administer it on their behalf. The Tasmanian Economic Regulator, as part of the annual price comparison report, found that our regulated prices are the lowest in Australia and that we continue to be in the lowest in Australia when the concession is applied.

As to why we pay 8.5 cents for the purchase of the energy this customer produces and exports to the grid and not 26 cents, which is how much they are paying for the energy they buy from us; the key point of difference is the 26 cents includes a whole host of other things, including the wholesale energy. Wholesale energy is about 35 per cent of the cost stack. The transportation of that energy to the customer's premises is around 50 per cent. That 26 cents includes the cost of transportation, the cost of participating in renewable energy schemes, as we discussed earlier, and in market charges and involved in being in the National Electricity Market. The wholesale energy cost that customer is paying for would be in that 26 cents is somewhat equivalent to the 8.5 cents at which we are buying that energy back from that customer. That is why there is a price disparity and that is the primary reason.

The Tasmanian Economic Regulator determines what the fair and reasonable price at which we, as a retailer, should buy the energy that customer is producing. It is a very exhaustive process and they review it every three years to ensure how they determine it is correct. It is independent to us and they ensure we are paying a fair and reasonable market price, the wholesale value of that energy that customer is selling, and it has determined that it is 8.5 cents at the moment. That is why there is a key disparity.

In relation to what happens in Victoria, it is a very different market to Tasmania. It is very hard to compare the two but the key differences between the Tasmanian market and the Victoria market is that their baseload generation in Victoria is coal. In Tasmania, it is hydro. We are a renewable energy state, 90 per cent of our energy is renewable. We are in this enviable position that every state in Australia wishes they were in. I think that is a key difference. Why is Victoria paying 11 cents for that energy? They are recognising they are offsetting coal-fired energy with renewable energy by buying it from solar. We are not doing that in Tasmania.

CHAIR - It is Eric Reece's fault.

Ms KARDOS - The level of vision in investing in hydro in this state 100-odd years ago is something we should be eminently proud of. It has positioned us so well for the next 100 years. That is the key difference between Tasmania and Victoria, and that is why you will see a difference between the schemes in the wholesale value of renewable energy.

You mentioned the Victorian Energy Efficiency Target - VEET - scheme in terms of light bulbs, but we don't have a similar scheme in Tasmania. We have the Tasmanian Energy Efficiency Loan Scheme, which they don't have in Victoria. It is unique scheme. Whenever I share with my national counterparts, they are aghast we were able to put such a significant scheme together. I am so pleased your constituent has been able to participate in that scheme to invest in solar panels and we have been able to support that through interest-free finance.

Mr FINCH - You can hear from the letter she has been very forensic in trying to secure her future. She doesn't feel confident she has been able to do that. I realise, with the way the electricity market is throughout Australia, we might be best advantaged in Australia. That still does not mean we are not going to be subject to reviews to constantly address this issue for people like this pensioner who is worried about her future.

Ms KARDOS - I am more than happy to respond to the customer directly.

Mr BARNETT - I want to confirm through you, Chair, we would be delighted and honoured to respond to that letter and to each of the dot points, noting that she is a TEELS customer and to confirm it is an outstanding program. You said she had 39 panels and she got an extra 13. That is 52 panels that would be saving her considerable funds on her electricity bill.

Mr FINCH - No, it is costing her money now.

Mr BARNETT - If you have the solar panels, that would be reducing some of the cost. We are very pleased and proud of the TEELS program and we have the update on that today. That is \$28.8 million, nearly \$30 million approved, and over 3300 applicants in the last few years. That is a good outcome.

CHAIR - To go to the feed-in tariff, people are very concerned about it because it is called an overly generous scheme, and there are many others on the scheme referred to by Mr Finch. The Treasurer initiated a view of the solar feed-in tariff and I notice that has been released. You are the Minister for Energy, so I am sure you have read it. I briefly read through it yesterday. I would like your thoughts on the key findings and recommendations and potential action areas.

The first is incentivising the uptake of solar, which is assisting solar customers to make some more of their own energy generation and usage through overcoming upfront financial barriers to purchase solar battery storage. What is your view on support to purchase solar battery storage systems and adoption of solar smart storage systems that may also offer network management benefits in the future move toward a time-of-use feed-in tariff regime? The software at our place needs a little bit of attention every now and then.

Number two was equitable access to solar mechanisms to spread the benefits of solar generation more equally across the Tasmanian community. The benefits of solar installation primary are only accessible by middle and upper income homeowners. I acknowledge the opportunities TEELS presents to lower income earners, but it has still has to be funded up-front. It is a no-interest loan but they have still to pay it back.

The next is better feed-in tariffs. This will interest a lot of people; investigating the appropriateness and potential benefits of introducing time-of-use feed-in tariffs in Tasmania.

The final recommendation is minimising electricity costs, building on the successful operation and benefits TEELS has had in helping reduce costs and relieving pressures on Tasmanian households by improving the energy efficiency of households and assisting in the take up of domestic solar systems.

I am interested in your view on these four notional recommendations of this review.

Mr BARNETT - It is a 60-page report commissioned by the Treasurer and myself. I had an interdepartmental committee oversee it. We received some 60 submissions into the review and they were very much appreciated. That report is now a public document and the report and recommendations are noted.

The items you refer to are particularly noted. What I can say up-front is they will all be considered in the context of the next budget and future budgets. That is my first opening remark that will give you an understanding of my thinking as Minister for Energy. We support solar and use of battery wherever possible. That can occur to some degree under the TEELS program, which I have indicated already is a very successful program and is continuing through until April 2019 or until the scheme concludes. For the second point - the time-of-use tariff - a review is underway and that report will be completed by this time next year. It will be undertaken by the Economic Regulator; it is an independent objective assessment and we looking forward to that. There will be a time-of-use report and recommendation.

There was a reference to energy efficiency. We have the YES Program, which supports vulnerable Tasmanians and that helps them. We are talking about thousands of Tasmanians who are benefitted in two ways - how to manage their debt and how to be more energy-efficient in their own home. It is an excellent program. I visited with Rebecca and her team and they have people providing that advice and assistance on energy-efficiency measures to assist those vulnerable Tasmanians. There are options to support vulnerable Tasmanians further down the track. That will have to be considered in the context of the budget, such as plans for Housing Tasmania, the rollout of affordable housing and how and when it occurs. That needs to be considered in looking at the energy-efficiency measures that can be included in any part the rollout. Those discussions are ongoing with my colleague, Mr Jaensch, within Government. You highlighted some key outcomes of that report, which make a lot of sense in principle.

CHAIR - When can we expect a more formal response? You said it will be in the next budget. Will there be Government statements in relation to where we are headed with this? Many people wonder what is going to happen, particularly those on a higher tariff.

Mr BARNETT - As to this month, and in the lead-up to 31 December change that drops the tariff to 8.5 cents in accordance with the economic regulator's advice, that decision was made in 2012-13 by the previous government. All governments across Australia made recommendations to bring down to those generous feed-in tariffs, which conclude on 31 December. I made a statement on behalf of the Government a few weeks ago, to provide a 5-cent transition support for the next 12 months, from 1 January through to 31 December next year. That 5-cent premium has been and will be implemented for those on the high solar feed-in tariff. More than 30 000 people

have solar in Tasmania and about 16 000-plus of that are on the grandfathered, higher solar feed-in tariff.

CHAIR - This report clearly says there is no justification to continue this transitional feed-in tariff rate.

Mr BARNETT - This Government decided to provide a transitional arrangement for 12 months to assist with that transition.

Mr VALENTINE - There has to be some benefit, I suppose. People need a return on their infrastructure. It is not going to encourage people to invest in solar panels, if they are only going to get eight-and-a-half cents or similar feed-in rate.

Mr BARNETT - I note your observations. That has been put to me and to the Government. We have provided that transition. We have that report and its recommendations. It is under consideration by the Government and we have future budgets ahead. If you have a strong economy and you have the budget in surplus, it is not easy. The Treasurer has to make decisions -

CHAIR - I thought it was easier.

Mr BARNETT - It is not easy. It is very challenging running a government and trying to keep it in the black. We have come a long way in the last four-and-a-half years.

Mr VALENTINE - Could this move backfire? People may buy batteries so they can get better value out of the energy they are producing, providing you with less into the grid and buying less.

Mr BARNETT - They can use the Tasmanian Energy Efficiency Loan Scheme up to \$10 000. They can use that money for energy-efficiency measures and that has been used for batteries. Its most popular use is solar.

Mr VALENTINE - That doesn't provide you with a great deal of comfort. They're not buying your electricity.

Mr BARNETT - I have to act in the public interest and I want to support consumers and Tasmanians, and the best way I can help them is to reduce the cost of electricity. That is what we have done. We now have the lowest electricity prices in Australia. I am proud of that, for and on behalf of the Government. I have every intention of using all my efforts to maintain that as a top priority of this Government. That feeds into cost of living and cost of doing business.

Mr WILLIE - It probably won't come as any surprise that there are a number of people who have Pay As You Go in the northern suburbs. There are low rates of digital literacy in some instances. I am interested in Pay As You Go Plus - PAYG+. How will you manage households that don't have an email, may not want to get an email but who have Pay As You Go and would like to continue in the new arrangement? What products are available to them?

Mr BARNETT - I will ask the CEO to respond to that question.

To confirm, an extra 2000 solar panels were put on by 2000 Tasmanians in the last 12 months or thereabouts. That has happened under the 8.5 cent per kilowatt hour. The uptake is continuing in spite of the lower feed-in tariff.

Mrs KARDOS - That has been a key consideration in the design of PAYG+. I will ask Mel Percival, our General Manager Marketing and Product to go through how we have considered that through the entire design process of PAYG+.

Ms PERCIVAL - With the development of PAYG+, digital literacy has been a key consideration. As you point out, a number of customers who use this product are older and maybe less digitally literate. We have done a number of co-design processes with customer groups, Coder and 26TEN literacy elements. We now have a product we have finished trialling and it has had very good feedback from customers. The trial consisted of customers of a varying degree of literacy in the digital space. Those customers who were not digitally literate were able to use the product through digital interfaces.

One of the questions you asked was around email addresses and those customers who don't have email addresses. We recognise this product won't suit all customers and there are other options for customers who, for whatever reason, do not necessarily want to go with the new PAYG+ product. There are payment plan options that customers can opt into where they have direct debit out of their bank account monthly or fortnightly. When they receive payments, that can come off their energy account to help them control their energy costs. There is also a choice of tariffs that customers can have; they can continue to be on a time-of-use tariff, which current PAYG customers are used to, or they can go onto a type-of-use tariff - the hot water versus electricity tariff.

We have been very conscious of this. We have done customer trials with digitally less literate customers and they have been able to use the product. It is a concern for us that it is not just an electricity and PAYG issue, but digital literacy; as honourable members would know, this is a concern at a community level on the whole as more and more services move to this space.

We are also working with some of our key stakeholder groups on how we could use this product to help customers understand, through them, how to use these types of products in the future, not just for energy but for other services they may also need to use.

Mr WILLIE - There is no other up-front payment product unless you have an email address?

Ms PERCIVAL - You will need an email address for this product, yes, that is correct.

Mrs KARDOS - There is nothing preventing any customer today from paying in advance. We have a number of customers who are on what we call our PostPay products, on tariff 31/41, which the majority of you would be familiar with. We have a number of customers who put in place a payment arrangement where we determine what their average energy spending is over a 12-month period and they put in regular payments. We have other options for those customers where we can still give them the same level of control that they have with PAYG, but if PAYG+ customers do not have an email address and they do not want one, those are the options available to them.

Mr WILLIE - Are they able to monitor their own energy use going to a payment plan?

Mrs KARDOS - They cannot do that on PAYG today; however, PAYG+ does give that extra feature, which is one of the additional benefits of it. They cannot monitor their daily use other than how much they are topping up.

What we are able to do is predetermine what their average spending is over 12 months and help set up a payment arrangement where they can prepay effectively the same way as they are doing with PAYG today.

Mr RUSSELL - There are tens of thousands of customers who are already in credit at any point in time. The key point, when we find payments are behind or people are getting in strife, is how we react, and engaging with the customer to ensure that we manage their consumption to their benefit - bring it down so it becomes more affordable and work with them on what is the actual right amount to pay. There is a huge investment around that piece internally, and with customers and the energy-efficiency piece we talked about earlier, we do in-house and over-the-phone audits to bring down consumption and explain to customers what individual items are consuming and how much that is costing them. Those services are there now.

The difference from PAYG is that they will not see a dollar value each and every time they stick the card into the meter.

Mr WILLIE - How is the cost of the installation of the smart meters being recovered? Is there an up-front fee to people moving to PAYG+ or is that shared across the customer base?

Mrs KARDOS - There is no up-front fee for a PAYG customer to transition to PAYG+ or another product of their choice. We are recovering the cost of advanced meters with the change of the metering competition by recovering those costs through all our standing offer prices through the price regulations we have in place in Tasmania, just as how they are recovered today for TasNetworks.

With the transition of metering to ourselves, we are now recovering those same costs for advanced meters through the same mechanisms as TasNetworks was through the price we all pay for energy.

Mr INGHAM - That is not unique to PAYG. If a meter is rolled out for any customer, that is how it is recovered. It is recovered consistent with any other customer. I just wanted to clarify that.

Mr WILLIE - Do you have a rough idea - or you would have an exact idea, I imagine - of the cost to upgrade all the current PAYG meters?

Mrs KARDOS - As a result of the national rule change, we are now obliged to install an advanced meter in all new and replacement situations. If your meter breaks down tomorrow, Josh, we will be obliged to put in place an advanced meter. This is the national reform to deploy advanced meters. All we have done with PAYG+ is leverage the advanced metering technology to provide greater visibility of what the customer is using within the home and then using contemporary technology to give them the convenience to pay when they like. That was going to happen regardless of PAYG+. It just happens that we have been able to leverage that. We would have had to touch every meter and we would be obliged to put in an advanced meter as a result of those rule changes on 3 December 2017.

Mr BARNETT - Could I just add to that? First, it was an election commitment that there would be no sign-up fees for PAYG customers. I am just confirming what the CEO has said; that is part of our Government's policy.

Second, with respect to these meters, this is our future and we have a plan over time to roll it out across Tasmania in the forward years because we want customer empowerment so that customers know what electricity they are using and what tariff, where, when and how and at what cost. It is terrific to be able to empower customers - ordinary, everyday Tasmanians - to know more about their electricity, how they are using it, when they are using it and at what cost. From the trial - and I was with Rebecca and a customer in Launceston on Saturday - customers are already learning and benefiting from that in changing the way they use their electricity and what time they are using it. The person concerned, for example, had an issue with his hot water cylinder. He ended up getting a new hot water cylinder and that will save him money in the months and years ahead. There will be many benefits as these roll out in the months and years ahead. I am quite excited about it because it puts the customer in charge of their electricity - how they use it, when they use it and at what cost.

Mrs KARDOS - That was the impetus for the national rule change. By taking a market-led transition from the mechanical meters we have at the moment to advanced meters that are comms-enabled, we will be able to give customers better products and greater choice, and better ability to manage their energy needs and costs.

Mr VALENTINE - You do not have to have the meter readers.

Mr WILLIE - Notwithstanding the national reforms and the benefits of being able to monitor your own energy use, I am just trying to understand the scale of the upgrade for PAYG customers. Do you have an understanding of what that cost will be?

Mrs KARDOS - We will be progressively replacing every single meter in Tasmania for all 280 000 customers over the next probably 10 to 15 years. The advanced meter has a greater cost than a mechanical meter. We will see an uplift in metering charges over time as a result of that, but -

CHAIR - Which is passed on to the customer, I assume?

Mrs KARDOS - Which is passed on to the customer, but the national agenda was that additional cost will also mean we can do products like Pay As You Go Plus that gives them greater control and greater convenience. The feedback we have got from the 70 in-market trial participants is that they are really valuing that. It was interesting at the media event that the minister and I did with Malcolm Lear, our customer in Mowbray on Friday; even the cameraman said this looks great when he checked out the app. This is the next generation of energy. Energy is not only being transformed in how we produce it, but also transformed in how we use it. We are seeing electric vehicles and technology disruption on every element of the supply chain, and metering is one of those elements. Yes, there is an uplift in metering costs that the entire national market will incur with the market-led implementation of advanced meters. We will already have put 10 000 advanced meters on since December last year. We have seen -

Mr RUSSELL - A 27 per cent increase in installations over a 12-month period.

Mrs KARDOS - We are already seeing an uplift. We offer the opportunity to customers to also sign-up to be considered. For solar customers with dogs, where access to read their meter is problematic for TasNetworks, by putting in an advanced meter with comms-enabled, we no longer need to visit the premises anymore and can read the meter remotely. There is a whole host of benefits here for customers.

Mr WILLIE - As a business, are you separating out the PAYG upgrades from this?

Mr RUSSELL - It is a good point, Josh. The issue we have and our PAYG+ is a separate meter type. It is a completely bespoke product, which is expensive. We are looking at using the standard metering installations; we have the economies of scale from using the same meter type to support the product.

CHAIR - The additional metering cost Rebecca spoke about, is that the cost of the unit itself or is there an ongoing additional cost in the actual metering?

Mrs KARDOS - The actual meter is more costly.

CHAIR - That is the up-front cost, once you have it, though?

Mrs KARDOS - The up-front cost, but also in the meter data provision aspect because we are now capturing the current mechanical meters you probably have on the majority of your homes - probably not yourself, Ruth, we capture one read every three months. We are now capturing 30-minute interval data and the management of that data provision, and there is cost associated. That 30-minute data will transition to five minutes by 2021. We will move to five-minute data intervals.

CHAIR - Also expect a text message from Aurora saying, 'You had better slow your usage down -'

Mr VALENTINE - 'because we are trying to look after you'.

Mr RUSSELL - It does present opportunities of giving you more transparent and timely advice.

CHAIR - Yes, that was slightly tongue-in-cheek, because they are going to charge you more.

Mrs KARDOS - Exactly. This is a good point. We are seeing disruption along the entire supply chain of energy and it is a transition challenge, but exciting because there are opportunities. The biggest thing we hear from our customers is that they do not have enough visibility of what happens and we will know at a five-minute level what is going on within the home,

CHAIR - What is using their energy.

Mrs KARDOS - Yes and what can they do, what can they change, and what can they tell their kids. We can redefine it.

Mr BARNETT - A little twist, on the weekend they could see when the kids were using the video and the home communication and entertainment centre.

Mrs KARDOS - When they should be at school.

Mr BARNETT - When they should be at school or somewhere else and you know what is going on and it is all on your app.

CHAIR - It is big brother.

Mr BARNETT - In one way it is, but it is big brother for your own home, so you can see what is happening in your home.

Mr VALENTINE - There is an app to control that where mothers or fathers can stop that.

Mrs KARDOS - I am going on a little technology vent here, so please forgive me. The exciting thing is that is the information, but then there is the automating of that information within the home. Then you do not require the human interaction of turning things off or changing things. We are starting to see an emergence of in-home technology around managing energy. What we are going to see over the next five to 10-plus years is a greater level of integration through data between the devices in your home and the information available to them.

CHAIR - I wanted to raise the largest expense item in your annual report. On page 57, IT is at over \$20 million and wages were \$20 million roughly. I am interested in the breakup of the IT costs, because it seems as if there is a lot spent on software. Over the years sitting across the table before your time, Rebecca, we have had enormous software costs associated with Aurora but also TasNetworks combined. I note the cash outlay was \$7.8 million on software, taking the total spend, including the work in progress, to \$13 million, since the transfer of Aurora Energy's assets from TasNetworks. There seems to be an ongoing large amount of money spent on software. Is this all to do with the metering or are we seeing software costing so much to this business?

Ms KARDOS - The key reason is we are investing in our customer care and billing system to make the changes for metering competition. We had to do a significant change and invest in the system, because we went from a single meter reader every quarter to capturing 30 minute interval data and then billing from that. That has been a significant change.

CHAIR - How long before it is in place and hopefully the investment costs in the software initially will reduce?

Ms KARDOS - You always will have an element of reinvestment in your systems. They have to be maintained, the market will change and continue to change. For example, we have new life support rules which again require us to invest to remain compliant with the National Energy Customer Framework rules we are seeing. Further changes are coming around in terms of how we treat estimated reads; there are further changes with metering. Those changes always necessitate system changes, because they have an impact on how we provide customer care and bill our customers. There will always be a level. One of the things we keep a close focus on is making sure those national rule changes, because they have a cost associated with them, have a material benefit for Tasmanians because we are in a market that is ,changing quite dynamically. We have to ensure we are getting a return on that investment. In answer to your question when will we stop investing in our billing system -

CHAIR - It was not that. It was: when will we see a reduction in the need?

Ms KARDOS - When they stop changing everything we are not in control of. We are looking at ways where we can invest in lower cost technology. For example, PAYG+ has been developed using app technology. That typically has a lower cost than changing your billing system. We are looking at using interfaces to our billing system to talk to your mobile phone and your desktop devices to see whether we can reduce the cost, because we have to remain as a low-cost energy retailer to be sustainable in this market. It is a competitive market and our biggest risk is always going to be competition.

Mr VALENTINE - What is the kilowatt hour charge for PAYG?

Ms KARDOS - PAYG will be charged under the standard tariff of tariff 93.

Mr FINCH - Another area of public concern is the frequency of outages, particularly in country areas. They are common. A combination of wind and rain. Could you give us some idea of the outage problem in Tasmania and also is there any way to quantify the cost of compensating country consumers for outages? How does this occur?

CHAIR - That is a TasNetwork question.

Mr FINCH - In respect of outages?

CHAIR - Yes.

Mr BARNETT - Thank you, Chair. I am than happy to help and assist. Perhaps we can speak later if you would like, Kerry, but it is an issue for TasNetworks.

Mr WILLIE - How many customer debts have you recorded over a 10-year period? Do you keep those records?

Mrs KARDOS - We monitor our credit position at any point in time. Over the last five years, since we were established as a standalone energy retailer, we have seen a decrease year-on-year. As to our debt write-offs, those debts we deem unrecoverable are at their lowest level ever. As a percentage term of revenue, it is 0.01 per cent. It is very low.

Grant's team, to whom I will hand over to shortly, does a phenomenal job. This is why the success of YES is so important. It is important to help customers to keep on top of their energy bills and to support them through a range of means. The last thing we want to do as an energy retailer is disconnect customers. It is not a good outcome for the customer and it is not a good outcome for us. Grant's team does a host of things to manage our credit position and to support customers to keep on top of their energy bills.

Mr RUSSELL - We would traditionally look at Plus in the last 365 days rather than 10 years. Ten years is not something we would look at. If you haven't recovered in 10 years, you are not recovering. If you haven't recovered in 365 days, you are going to struggle to recover. We have it down to about \$1.6 million of bad debt write-offs, which is significant. Over the four-year period, that is more than half of the previous total. We have invested heavily. We have about \$4.5 million under active management of YES et cetera. We don't let it get to that point.

Our cost base in debt-to-operating costs is about half the industry standard. We are performing way above the standard industry and we are keeping power on. We have reduced disconnections at the same time. It is really important that it is not one way. We have kept power on while reducing those numbers.

Mr WILLIE - Is the \$1.6 million a yearly figure?

Mr RUSSELL - That is annualised, yes.

Mr WILLIE - Do you have payment plans for people who find themselves in debt?

Mr RUSSELL - We do. We have payment plans. We have a range of mechanisms to assist people in managing their position. When you go onto YES, we set your debt aside so you are not focused on the past. We focus on bringing your current consumption behaviours to a manageable amount. After we have sorted that out, we get you consuming what is possible and practical and making it more efficient. Then we look at the debt. We put that away so you are not worrying about the debt or keeping the lights on. We manage that and then we bring consumption down to make it more affordable.

Mr WILLIE - Is there any talk among the GBEs at looking at some of that debt recovery collectively? I imagine that if people have a debt with Aurora, they might have a debt with TasWater and so on. Rather than having to go to all these different entities and resolve payment plans, could they come to a one-stop shop?

Mr RUSSELL - There are issues around privacy. We have to be mindful of customers' privacy and accounts and the different needs between different entities. However, we started with TasWater as an example in what is called a 'Thriving Communities Partnership', looking at how we can learn from each other and from what we are doing. We are probably leading the way for utilities in how we look after vulnerable people and what we can share.

There is an idea that initiated in Victoria but we are looking to bring it to Tasmania as an extension of YES. That is, working with other elements of the energy utility market to look at how we bring the pressures of affordability down and stop the fear and panic of it getting out of control.

Mrs KARDOS - We work really collaboratively for the various parties in this sector. There is a range of entities in the community services sector. We work with our vulnerable customer committee. That is what thriving communities is all about - how we work collaboratively together to support Tasmanians who may be having affordability issues across the scope. Grant is 100 per cent correct. Privacy is the key factor that will prevent us from sharing data but nothing prevents us from sharing what is good practice, working better together and always having a focus on ensuring Tasmanians get the best support that they can.

Mr BARNETT - We have 3500 vulnerable Tasmanians on the YES program. They get advice on their debt and how to manage it as well as how to be more energy efficient, which is a very good program.

Mr WILLIE - Some of those privacy issues could be resolved. There are NGOs operating with government and there are government departments interacting in that way and they seem to

overcome privacy issues. We have to try to make it easier for vulnerable people to resolve these situations. Having to go to all the different GBEs could be a barrier to addressing the problem.

Mrs KARDOS - There is a credit reporting item within the privacy guidelines and we are required to comply with that. There is specific privacy guidance around credit reporting that we have to comply with. The privacy protections are quite detailed, especially around credit reporting and that is what I was referring to.

Mr RUSSELL - We are working to see whether there are practical measures we can take and learnings we can take from each other. That is happening.

Mr GAFFNEY - I am interested in the chair's overview. I am not going to the glitches or the timing of the \$10 million - somebody else might like to ask about that. Has it happened before, that a significant sum has been returned to the \$10.1 million you mentioned at the beginning?

Mr BARNETT - The Special Energy Bonus?

Mr GAFFNEY - I suppose I have three questions. Has anything like that happened before? Second, what triggered the capacity for Aurora to give \$10.1 million to 80 000 people? Third, has that set a precedent for it to happen again?

Mr BARNETT - I am not aware of that happening before but it is quite possible. Second, it is done because we wanted to keep the cost of electricity down and keep it as low as possible because the cost of living and the cost of doing business are top priorities for our Government. Although we have put the CPI cap, we are now in a position of having the lowest electricity prices regulated in Australia for residential customers and business, as of June this year. There is always more to do.

The third part of your question related to a precedent, I don't think it sets a precedent but it sends a message from the Government. We want to do everything we can to keep the costs of living and doing business under control. It is happening as we speak under our Government's Tasmania-First Energy Policy. We are delivering on it and we will keep trying everything we can, hence the delinking by mid-year 2021 and our effort to continue to put a CPI cap on electricity prices between now and then.

Mr GAFFNEY - I will come back to that. Why did it occur in 2017 and not 2016? What was the difference in Aurora's balance sheet that it was able to provide that money last Christmas instead of the Christmas before, when people were still struggling? How did you come to the arrangement that you were going to come up with that much money? It is a significant sum - and helping people, I am not doubting that, I just want to understand what triggered Aurora being able to do that.

Mr BARNETT - It is triggered by government. It was a decision of the Government.

Mr GAFFNEY - What triggered the Government to be able to do that? Was the profit so high that they could afford to do it?

Mr WILLIE - There was an election.

Mr BARNETT - No. Let me put it this way: we always want a sustainable, profitable outcome for our energy businesses, Aurora Energy and TasNetworks, and Hydro Tasmania has delivered that. We are not looking for super-profits and we are not looking for losses. We want sustainable, profitable businesses. Within that context, the Government made a decision to support pensioners in particular and healthcare concession card holders. Over 80 000 Tasmanians benefited from that \$125 per household concession or rebate. We have delivered because the cost of business and cost of living are top priorities. That is why we delivered it.

Mr GAFFNEY - Therefore, this year, Aurora is not in the same financial position as it was last year to be able to offer that \$10.1 million again?

Mr BARNETT - We have the lowest regulated electricity prices in Australia from June this year.

Mr GAFFNEY - Yes, but that was not my question.

Mr BARNETT - It is not my words - from June this year.

Mr GAFFNEY - Yes, but my question is: is Aurora not in the same financial position it was in this time last year to be able to offer the benefit again? If this time next year Aurora is in the same position it was last year, will it be able to offer it again? I just want to understand -

CHAIR - Would they be asked to offer it again.

Mr GAFFNEY - Yes.

Mr BARNETT - Aurora has not been asked to and there are no plans at this stage in the minds of the Government to ask it to do it. It is running a sustainable, profitable business. We are pleased with the outcomes. Aurora has delivered its annual report and we are very pleased with its efforts, and I thank the team and everyone at Aurora Energy for their service.

Mr GAFFNEY - That is fine. My last question is slightly different. You mentioned the independent Economic Regulator. When governments interfere with that process, does the Economic Regulator not become independent? If a government steps in and says, 'This is the cap', what impact does that have? We have seen it before in the Tasmanian water industry when David Bartlett introduced a cap in 2009, which threw a spanner in the works. How do you reconcile that you have a position independent of government and yet then the Government comes in with a cap?

Mr BARNETT - Yes, that is a good question and that is where the Government has to try to find a balance. Our priority under our Tasmania-First Energy Policy is to deliver the lowest regulated prices for residential and business customers by 2022. We achieved that in June this year. We are very pleased, but we know there is more work to do, and it is not just for residential customers but businesses as well. We need to put that forward in our budget and in our policy initiatives, and we have a full range of those initiatives - low cost, delinking, the solar feed-in tariff; we have heard about PAYG+ - to try to get a balance to deal with cost of living and cost of doing business. We consider all those issues. We have policy priorities we put in place through initiatives and through the budget, and we make those decisions sometimes in very challenging circumstances. Frankly, we cannot make some of those investments unless we have a strong

economy and have our budget in the black. That is where we are at the moment and it is still very challenging, but we are heading in the right direction.

Mr FINCH - From the Aurora annual report - 61 per cent female - tick, but down on page 29, on employee engagement, the employee engagement score has gone from a high of 63 per cent down to 50 per cent, with a target of 65 per cent. Also, on the employee culture target, for improvement in constructive styles, the target was 5 per cent, but it was negative 23 per cent. Can you comment on those figures, minister?

Mr BARNETT - Thanks very much, Mr Finch. I will pass to the CEO to respond to those operational matters.

Mrs KARDOS - As I said in my opening statement, 2017-18 was a challenging year. The metering transition involved more than a hundred of our staff - that is effectively 50 per cent of our workforce.

We were working tooth and nail to deliver to the national rule change date, which was 3 December in the end. It was originally 1 December, but it was 3 December, and that required a significant effort by all our people while continuing to provide the services we provide every day. The challenge through that was that we had to make some tough choices for some of the investment in our people programs; we had to delay the deployment of PAYG+ until this coming calendar year because we needed to deploy all our resources to be ready for the new rule change when it came into effect.

The saddening thing in all that is that it did impact on our people. We employ, as I said at the beginning, more than 200 proud, dedicated, passionate Tasmanians. They do a phenomenal job but, unfortunately, through those challenging circumstances, we saw a diminishment in engagement and culture. I, as CEO, and my leadership team, are committed to working with them, ensuring that we are putting as much as focus on our people as we do our customers because it is our people who make a difference to our customers, and that is where our focus is going forward.

CHAIR - Thank you, minister, and your team. We have run over time, but thank you for your attendance. There are many other areas we could have gone to but time runs out.

Mr BARNETT - Thank you very much, Chair, for the opportunity, and thank you to our new Chair of Aurora Energy, and to Rebecca and her team, and to all members of the Legislative Council.

The committee suspended at 2.52 p.m.