



PARLIAMENT OF TASMANIA
Legislative Council

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE 'A' 2021

Report with Minutes of Proceedings

Members of the Committee:

Hon Nick Duigan MLC
Hon Ruth Forrest MLC (Chair)
Hon Mike Gaffney MLC (Deputy Chair)
Hon Sarah Lovell MLC
Hon Dr Bastian Seidel MLC
Hon Meg Webb MLC

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**LEGISLATIVE COUNCIL
GOVERNMENT BUSINESSES SCRUTINY COMMITTEE "A"**

MINUTES

WEDNESDAY 1 DECEMBER 2021 AND THURSDAY 2 DECEMBER 2021

WEDNESDAY 1 DECEMBER 2021

The Committee met at 10.27 am in Committee Room 2, Parliament House, Hobart.

Present:

Mr Duigan

Ms Forrest (*Chair*)

Mr Gaffney (*Deputy Chair*)

Ms Lovell

Dr Seidel

Ms Webb

Apologies:

Nil

In Attendance:

Ali Waddington (Executive Assistant)

The Minutes of the Meeting held on Thursday, 17 November 2021 were confirmed as a true and accurate record.

Incoming Correspondence

The Committee received stakeholders incoming correspondence.

Outwards Correspondence

- Emails dated 19 November 2021 inviting written submissions/comments from relevant stakeholders
- Letters to relevant Ministers and Chairs providing meeting details for GBA hearings on Thursday, 2 December 2021

The Committee received and endorsed incoming and outgoing correspondence.

Stakeholder Meetings

At 10:30 am the Committee commenced informal discussions with stakeholders.

The meeting was suspended at 12.56 pm until 8.45 am on Thursday, 2 December 2021 in Committee Room No. 2, Parliament House, Hobart.

THURSDAY 2 DECEMBER 2021

The Committee resumed at 8.55 am in Committee Room 2, Parliament House, Hobart.

Present:

Mr Duigan

Ms Forrest (*Chair*)

Mr Gaffney (*Deputy Chair*)

Ms Lovell

Dr Seidel

Ms Webb

Apologies:

Nil

In Attendance:

Jenny Mannering (Secretary)

HYDRO TASMANIA PTY LTD

At 9.00 am the following witnesses appeared before the Committee:

Hon Guy Barnett MP, Minister for Energy and Emissions Reduction

Ian Brookbank, Acting CEO

Tim Peters Acting Executive General Manager Finance and Strategies

Mr Grant Every-Burns, Chair (via Webex)

The Minister provided a brief overview and the Committee proceeded to questions.

Questions on notice

- In relation to the water releases: How many commercial applications were granted, refused or cancelled? How many recreational applications were granted, refused or cancelled (either in the financial year or calendar year)? Why? (MG)

The Committee suspended at 10.32 am

The Committee resumed at 10.47 am

The witnesses withdrew at 12.13 pm.

TASNETWORKS PTY LTD

At 1.00 pm the following witnesses appeared before the Committee:

Hon Guy Barnett MP, Minister for Energy and Emissions Reduction

Roger Gill, Chair

Sean McGoldrick, CEO

Ross Burridge, General Manager Strategy, Finance and Business Services

Bess Clark, General Manager, Marinus Link

The Minister provided a brief overview and the Committee proceeded to questions.

Questions on notice

- Provide copies of modeling undertaken by TasNetworks with regard to matters including demand, and profitability and the revenue that is expected to be generated (Marinus Link).

The witnesses withdrew at 3.00 pm

The Committee suspended at 3.04 pm

The Committee resumed at 3.15pm

TT LINE COMPANY PTY LTD

At 3.15 pm the following witnesses appeared before the Committee:

Hon Michael Ferguson MP, Minister for Infrastructure and Transport

Damian Bugg AM QC, Acting Chairman

Bernard Dwyer, Chief Executive Officer

Kym Sayers, Chief Financial Officer and Acting Corporate Secretary

The Minister provided a brief overview and the Committee proceeded to questions.

Questions on notice

- What was the percentage breakup for the loss of revenue (freight/passenger) for 2021/2021?
- What is the gender pay gap currently and will you report and monitor this in the future?
- TT Line paid Tax of \$20m to Government (noted page 20 of Financial Statements) this does not appear to be recorded in the PO Report in the last Budget Papers?
- Please explain why the \$30m investments is included under financing activities in the Cash Flow Statement on p.20 What is the gender pay gap currently and will you report and monitor this in the future?
- What is the total cost of the new vessels.

The witnesses withdrew at 4.45 pm

Other Business

The Committee resolved that the report would be presented to the President by a southern based Member on 17 December 2021.

Next Meeting

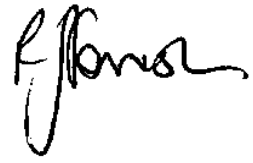
Wednesday 15 December at 10.00 am via Webex.

Adjournment

At 5.00 pm the Committee adjourned.

DATE:

CONFIRMED

A handwritten signature in black ink, appearing to read 'R. Jones' or similar, written in a cursive style.

CHAIR

APPENDIX – TRANSCRIPTS OF PROCEEDINGS



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE A

Hydro Tasmania Pty Ltd

Thursday 2 December 2021

MEMBERS

Hon Nick Duigan MLC
Hon Ruth Forrest MLC (Chair)
Hon Mike Gaffney MLC (Deputy Chair)
Hon Sarah Lovell MLC
Hon Dr Bastian Seidel MLC
Hon Meg Webb MLC

WITNESSES IN ATTENDANCE

Hon. Guy Barnett MHA, Minister for Energy and Emissions Reduction, Minister for Primary Industries and Water, Minister for Resources, Minister for Trade, and Minister for Veterans Affairs

Mr Ian Brooksbank, Acting CEO, Hydro Tasmania.

Mr Tim Peters, Acting Executive General Manager Finance and Strategy, Hydro Tasmania.

Mr Grant Every-Burns, Chair of Board, Hydro Tasmania (via videoconference).

PUBLIC

The committee met at 9 a.m.

CHAIR - Welcome minister. If you have an opening statement you would like to make, we can then go to questions.

Mr BARNETT - Thank you Chair and committee members. Thank you for having us here today. I welcome our Chair, Grant Every-Burns who is online; the acting CEO, Ian Brooksbank, on my right, his third time at a committee hearing like this; and Tim Peters, Acting Executive General Manager, Finance and Strategy, his first time at this type of committee hearing.

I will make some short remarks before passing to the chair. Hydro Tasmania has had another great year with a strong underlying profit of \$217 million, well above the budgeted target. Hydro Tasmania has progressed a number of key initiatives over the past financial year, with the Battery of the Nation initiative as part of our new energy and emissions reduction bilateral agreement signed between the Tasmanian and Australian Governments. That outlines a shared path forward for progressing both Battery of the Nation and the Marinus Link interconnector.

The agreement specifically called out investigating the capacity upgrade to Tarraleah Power Station. Significant progress has been made on a multiyear \$80 million refurbishment program for Trevallyn, Catagunya and Lake Echo power stations. I am also pleased to advise today, following a recommendation of the Tasmanian Development Board, the Government has agreed to provide funding of up to \$2 million to Hydro Tasmania that will assist the cost of upgrading the existing public power line infrastructure on King Island. This will support the operation of the Group 6 Metals redevelopment of the Dolphin tungsten project at Grassy on King Island. The infrastructure upgrades will have indirect benefits to the King Island community through improving the distribution system performance. Hydro Tasmania will be using a mix of local contractors and bringing in specialist contractors to the island to deliver the upgrade work. It is great news for King Island and our mining and mineral processing sector.

It is also important to note that Hydro showed strong community support and were major sponsors of Cricket Tasmania and the Hobart Hurricanes; Engineers Australia - Tasmanian Division, Driving Diversity scholarships; the Beacon Foundation; the University of Tasmania, notably for wombat health; Mentor Walks; and The Mind Games. During this time, Hydro's COVID-19 recovery program supported local business, not-for-profits and community groups and Hydro provided grants to the Community Grant Program and introduced new innovation grants aimed at helping organisations adapt to changes from COVID-19.

I mentioned local spend. Hydro Tasmania has invested a lot locally, spending \$128 million on local suppliers. Additionally, nine new employees started at Momentum Energy Cambridge call centre this week, which brings the total number of staff at the Cambridge site to 92. This delivers on the Government's commitment to deliver more than 70 new jobs at Cambridge. I am delighted to advise the committee of that today. I am sure there will be opportunities to discuss these matters more as we progress and with your indulgence, I will see if the chair, Grant Every-Burns, would like to make some opening remarks.

PUBLIC

Mr EVERY-BURNS - Thank you for the invitation and the opportunity to make some opening remarks today. I echo the minister's comments that Hydro Tasmania is in a strong position.

It has been a year to reflect, to review and transform for our business and our people. We exist to provide essential services to the people of Tasmania, but we also have to ensure our ongoing sustainability and future prosperity. This has been a focus throughout the 100-year history and it is now more important than ever, in the face of the unprecedented change in the energy industry and the national electricity market.

We have seen another successful year for the business, despite the ongoing challenges of COVID-19 which continues to be felt in communities, cities and so on around the world. Once again our people have demonstrated their passion, dedication, pride and commitment to delivering the best outcomes. We must acknowledge that they did this in very trying circumstances as we underwent a necessary but difficult business transformation. We have defined a new future for ourselves and we have structured our business to give us the ability to adapt to the national electricity market disruption and to take advantage of new opportunities presented by the clean energy transition.

Tasmania is on the cusp of an exciting renewable energy future powered by Battery of the Nation, Marinus Link, and leveraging our natural advantages to grow our clean energy contribution and become a catalyst for the sunrise industries such as hydrogen. An ambitious plan has been outlined by the Government in its Tasmanian Renewable Energy Action Plan, and our incredible renewable energy legacy positions us well to lead the way in this process.

Hydro Tasmania is already demonstrating Tasmania's expertise and innovation on the national stage with groundbreaking projects on Flinders Island and King Island. We have steadily been delivering outstanding results in integrating renewable energy and showing how communities can adapt and embrace clean energy. There is now doubt that Tasmania can help to power a clean energy transformation, and this year many encouraging steps have been taken to bring that vision to reality.

Despite the challenges that the year has presented, we continue to invest in our hydro power asset base, including completion of full generating unit refurbishments at Trevallyn No. 2, Catagunya No. 1 and commencement of a similar refurbishment at Trevallyn No. 1, Catagunya No. 2 and Lake Echo. This is all while continuing to keep our people safe and delivering a record safety measure. Our total recordable injury frequency rate this year is 4.18 which is better than we have previously achieved.

All Tasmanians share in our success and during the pandemic we have sought to directly assist the community.

This year our focus has been on supporting Tasmania's recovery as the effects of COVID-19 continue to ripple through communities. We have partnered with community organisations to deliver initiatives that assist hard-hit sectors and vulnerable groups. We have also targeted assistance to industries that were facing ongoing impacts and those providing support to people in a more digitally connected world. Great examples of this are the initiatives with West by North West and Libraries Tasmania which have been instrumental in helping communities adapt to a new normal.

PUBLIC

Through the passion and dedication of our people we supported local business, not-for-profits and community groups with more than \$200 000 in funding. This brings our total COVID-19 recovery program funding since March 2020 to \$450 000. We have provided more than \$50 000 to 11 organisations through our Community Grant Program and introduced new innovation grants aimed at helping organisations adapt to the changes resulting from COVID-19.

We have supported our people, kept them safe including smoothly transitioning our Tasmanian office and call centre workforces back into the office environment. Comprehensive safety and wellbeing processes are in place to continually monitor the pandemic situation and ensure preparedness for a rapid change in our business operations.

People will appreciate that the year has been particularly challenging for our colleagues at Momentum Energy in Victoria who have suffered more lockdowns than many others. Despite the lockdowns our mainland retailer has increased customer sales in the financial year by 7000, underpinned by an expansion into the Queensland market, shifting focus for business customers and further improvements to product features and customer servicing. We also welcomed more Tasmanian employees to Momentum Energy. The annual report records 80 roles based at Cambridge but, minister, your news about the increased numbers is very current.

Our engineering consultancy, Entura, has reported another successful year. Based on detailed feedback provided by clients, Entura has improved its own delivery excellence score for the second consecutive year which is used internally to measure performance. Entura has continued this work as owners engineer for the Kidston Pumped Storage Hydro project in Queensland, which reached a major milestone this year achieving financial close. Entura will play a vital role in ensuring timely quality outcomes for Genex Power during the construction of this project.

Other key Entura projects include the Ross Island Wind Energy Network in Antarctica. We supported the commissioning of Granville Harbour wind farm on the west coast and oversaw the Cattle Hill wind farm in central Tasmania.

We can look forward to the future with pride and expectation knowing that our efforts and contributions, large and small, are laying the foundation for future prosperity and renewable energy to become a vibrant fourth pillar of the Tasmanian economy, recognising tourism, agriculture and education. All the while we are trying to get on quietly with the core business of delivering.

Thank you again, Chair, for this opportunity.

CHAIR - Thank you. Surprisingly, I would like to lead off with the financial performance of the company and looking more to the future as well as to the past performance.

Minister, I have some initial questions regarding the profitability of Hydro Tasmania, now and into the future, with particular regard to the proposal for hydrogen and the Basslink operations, two separate matters but linked. I also want to look at onerous contracts reported in the annual report.

Minister, I note the fall in revenues that is explained by lower hydrological flows. Initially can you provide more information about the impact of those lower hydrological flows? Then there are three other points I want to cover that are listed in your annual report. I will start with that one but then the significant one-off payments that are listed on page 12, the impact of the wholesale energy prices talked about on page 18 and the highly competitive National Electricity Market (NEM) on page 18 as well.

So, if we could start with the impact of the hydrological flows on the profitability.

Mr BARNETT - Thank you, Madam Chair, for the opening remarks from yourself and questions, which are many. Starting with respect to the finances and the hydrological flows. Just to recap, the \$217 million was a very good financial result above budget, 20 per cent above the corporate target of \$180 million. With respect to the hydrological flows and impact on the revenues, that is clearly an operational matter and I will pass to the acting CEO.

Mr BROOKSBANK - As the minister stated and Grant Every-Burns, the result for the year was 20 per cent above our target of \$180 million. It is true we operate in a very dynamic market - wholesale electricity is one of the more competitive and volatile markets known in the land. Prices can range from minus \$1000 to over \$14 000 per megawatt hour which, obviously, is a financial risk that organisations have to manage and Hydro is certainly no different to that.

We have a very strong process within our business on wholesale risk management around price, as well as hydrological risk. Our yield for the year was down due to rainfall, but our business is able to cope with that. We have long-term planning. We ended the year with 36 per cent of water in the dams and have currently got 52.2 per cent. Yes, the hydrological performance reduced our overall performance from that, but the -

CHAIR - What impact on the profitability was contributable to that? You have lumped them all in together, minister, they are all in one overarching statement. If you could talk about the impact of the lower flows.

Mr BARNETT - Thank you very much for that. In terms of profitability, it relates to a lot of the various parts of Hydro Tasmania's performance; hydrological flow is one part. The acting CEO might try and outline in further detail in answer to that question.

Mr BROOKSBANK - We are a business where our performance is impacted by many different things. We run our assets as a portfolio. The exact number that comes from the lack of water is not a number I have to hand. The risk management systems and our commercial processes within the business are designed to compensate for that, designed to protect the business and despite those lower yields, our profit was still significantly strong from the underlying business. That is a result of hedging and managing our business to cater for those changes in the water and the hydrological performance.

CHAIR - Can I go to the significant one-off payments referred to? That was a positive for your finances?

Mr BROOKSBANK - What page is that?

CHAIR - It does not tell us anything about it - on page 12 - other than the favourable trading conditions in the NEM and significant one-off payments contributed to the profit. What are the significant one-off payments?

Mr BROOKSBANK - Like any organisation, we will have provisions that have been created in past years. One of those was related to the Basslink outage from 2015. With the Basslink arbitration result coming through with the arbitrator finding in favour of Hydro, then that means we are able to release the provisions we had.

CHAIR - You booked them, but you have not got them?

Mr BROOKSBANK - That is correct. They were booked in 2015 as a future expense of the business and provided for. We now know in a profit sense that expense has been awarded under the arbitration. We are now in a process with the receivers about how the receivers for the Basslink asset, how that arbitration process works and how the recovery of those moneys will occur over the ensuing receivership period.

CHAIR - We know the situation with Basslink at the moment. Clearly, if for some reason you do not get the full amount back you are going to have to write that off I would assume, minister.

Mr BARNETT - It is what you call a hypothetical question, but it is a fair question and I understand where you are coming from. KPMG has been appointed as the receiver. They have made it very clear the link will continue to operate on a normal basis and energy security is not at risk or compromised. But in terms of what the receiver will do is a matter for them. There are standard terms and conditions that apply to the role of the receiver and to those that have funds owed. Hydro Tasmania as well as the state Government are monitoring that very carefully and are in close contact with the receiver.

CHAIR - How much in total that Hydro is owed you have actually accounted for in these one-off payments you are talking about?

Mr BARNETT - I will pass to the acting CEO.

Mr BROOKSBANK - Within the accounts there are some numbers still confidential in terms of release to the public. There is a process, as the minister stated. KPMG now have a formal process they go through during this receivership period, which will last for about two years, subject to how they progress the sale of the asset, which would be their stated outcome. The purpose of the receivership is to protect the secured creditors, which obviously in the case of Basslink are the financiers, but they are also Tasmania and Hydro Tasmania.

What we need to do now, and remembering the receivership is a very recent event -

CHAIR - Are the arbitration figures public?

Mr BROOKSBANK - Yes they are.

CHAIR - I am just asking, what publicly available figures do you have at this stage, in terms of how much these payments relate to? How much have you accounted for?

PUBLIC

Mr BARNETT - I can summarise the arbitrator's decision, which will hopefully assist you in understanding the monies owed to the state and Hydro Tasmania.

CHAIR - I am worried about Hydro at the moment, we are dealing with Hydro.

Mr BARNETT - That is a matter for Hydro Tasmania and will pass to the acting CEO.

Mr BROOKSBANK - The Basslink receivers now owe Hydro Tasmania \$25.25 million as a result of the costs awards under the arbitration result. Then there are some adjustments that relate to the Basslink Service Agreement also sitting in that mix of roughly \$35 million.

CHAIR - Is there other money you cannot reveal at this stage, you are also saying? There are other monies that contribute. You have not given us an actual amount of the significant one-off payments and, according to this, it is more than one payment.

Mr BROOKSBANK - The \$25.25 million is one of the amounts that go into those significant payments you are referring to. The second is that we have inter -

CHAIR - Regional revenue?

Mr BROOKSBANK - No, inter-year hedging arrangements whereby the hedge runs for a calendar year, rather than a financial year. In one of those cases, a payout due to Hydro related to the prior year, was booked in the current year, because it related to a hedge that covered across a calendar year, that makes up a portion of that.

CHAIR - Sure, so can you give us a total amount of what these significant one-off payments were and what they contribute to?

Mr BROOKSBANK - The number that relates to the payment under the hedge agreement is commercial. We have, obviously, commercial agreements in place with counterparties and they are confidential because what is an inflow or an outflow to us will be an inflow or an outflow to the counterparty.

CHAIR - Minister, you cannot give us a high-level amount of what these one-off payments relate to. How much of a contribution they have made to the increased profit position Hydro Tasmania has this year, considering it came off a loss last year?

Mr BARNETT - Yes, that is right. The acting CEO has been attempting to answer that and has put on the table the reasons for those figures, just wondering if you could expand on that acting CEO?

Mr BROOKSBANK - The question is effectively asking us to reveal the underlying performance of our business as a result of the commercial and confidential agreements we have with counterparties, around the way we trade our energy industry, or our electricity. That is not something we are at liberty to put in the public domain, given the relationship we have with those counterparties.

CHAIR - I am not asking for the individual amounts, minister, I am asking for the total, including book value amounts for the Basslink matters and anything else it related to, just a total figure?

PUBLIC

Mr BARNETT - The acting CEO has provided figures for Basslink, which flow from the arbitration decision of December last year and on the public record and has tried to explain in terms of those figures. They are on the public record.

CHAIR - Minister, as I understand from what the acting CEO has said, there are a range of these other hedge arrangement and that sort of thing. By giving an overall headline top figure is not going to reveal individual amounts for individual hedges.

Mr BARNETT - The acting CEO has attempted to respond as best as he could without breaching commercial-in-confidence. Let us see if the acting CEO would like to add to the earlier answer.

Mr BROOKSBANK - The minister is correct. There is a level of confidentiality. I have outlined \$25.25 million as the cost award under the arbitration. That clearly is something coming back to us from previous provisions. I cannot outline the value of the rainfall hedges - that's the end to year hedges I am referring to - because we are bound by the confidentiality agreement under the ISDA. The same relates for our energy trading activities. The ISDA documents -

CHAIR - I am not asking for the actual value of the rainfall hedges. I am not asking for the other trading hedges you use, I am asking for an overall amount - a total. I am not asking for individual hedges and the individual value of those hedges and how much profit there was, I am asking for the total.

Mr BROOKSBANK - Thank you, Minister. In total they are around \$50 million.

CHAIR - Thank you.

Mr GAFFNEY - Is that including the \$25.25 million?

Mr BARNETT - Thank you, back to the acting CEO.

Mr BROOKSBANK - Yes, it does include the \$25.25 million.

Mr GAFFNEY - How will Hydro Tasmania ensure those monies are returned and how do we know, because it has been a protracted lengthy dispute?

CHAIR - The Basslink money?

Mr GAFFNEY - Yes. How is that process? I would be interested to understand.

Mr BARNETT - Thank you very much for that question. It is a very fair question. KPMG are acting as receivers and the state of Tasmania and Hydro Tasmania, and indeed other entities no doubt have a very special and important relationship.

The money owed to Hydro Tasmania is essentially money owed to Tasmanians and that is why we need to protect the public interest. That is why we have acted in the public interest to do what is right, to protect Tasmania's interest. We have done that, working with Hydro Tasmania. KPMG has been appointed as administrator and now receiver. They have a very

important role and a close working relationship with all those secured creditors - the Tasmanian Government and Hydro Tasmania is one of those.

What is important from Tasmania's point of view is our energy security. As minister, I want to assure all Tasmanians our energy is secure and future prospects of energy have probably never been more secure than they are at the moment with ongoing wind and other energy available.

CHAIR - Excuse me, minister, I think the member is asking about how this works. We have a lot of questions to get through. We have limited time. We have this once every two years. If you can focus on the member's question please.

Mr BARNETT - It is a very important question and that is why I'm assuring Tasmanians in terms of energy security.

CHAIR - We'll get to energy security later.

Mr BARNETT - With the receivership role and relationship between Hydro Tasmania and the receiver, I will ask the acting CEO to respond.

Mr BROOKSBANK - Thank you, Minister. The key in any receivership is for the creditor, in this case Hydro Tasmania, to ensure we are very much working with the appointed receiver, KPMG. They have taken control of the asset of Basslink which means they are both responsible for operating the asset as it currently is and doing what they need to do to provide a return to the secured creditors obviously, of 100 per cent of whatever the secured creditor is owed.

KPMG have warranted to both us, but more importantly to an email in the National Electricity Market the asset will keep operating. They have not brought it out of the market. The Basslink contracts contain provisions that govern the rights of the state, of Hydro and of the Basslink financiers and those rights prevail throughout the receivership period.

As you know, the receivership is a recent event. One of the first steps that a receiver does is create what's known as a receivership framework, which is the mechanism or the policies procedures guidelines that will allow the receivership to flow. They then enter into negotiations with the respective secured creditors. Those negotiations with the receiver are covered by a confidentiality agreement and we, therefore, are bound by that.

Suffice to say, I've been in contact with the receiver on a couple of occasions and outlined both Hydro's position and how I, as the acting CEO, would like to work with KPMG during this receivership process. I have also outlined from Hydro's perspective how we've got to where we are - that is, the asset in receivership.

They will take some time to work through that framework and with Christmas coming up, I'm not really expecting to see anything significant until early in the new year. All of our engagement, the confidentiality, et cetera, with the receiver is commercial-in-confidence and so I can't reveal the nature of those discussions.

Mr GAFFNEY - I appreciate that. Am I hearing that of the \$25.2 million that is supposed to come back, it's still being organised? Do we have a time line? Are you able, when

any of that return comes back, to let the Tasmanian community know that you've received \$2 million or \$4 million, or there's a part-payment coming, or it's a time line? Or are we, with all due respect, to be kept in the dark because of this business confidentiality when we know it's \$25.2 million? We want to know when, where and how you make that announcement through a process.

Mr BARNETT - We will always do what's in the best interests of Tasmania, and we will certainly advise Tasmanians with an update once we have that information available. The KPMG process in terms of the receivership, is not unfamiliar in the business community around the country. It's very familiar to those that are involved like KPMG, Hydro Tasmania, the state Government, and those who are acting on our behalf. I will pass to the acting CEO to see if he can add to that answer.

Mr BROOKSBANK - They're commercial-in-confidence. As we receive, we will be bound by our agreement with KPMG. Given the time frame, we will have an annual report that will be published later next year. Within that, any flows and updates et cetera to Basslink would be disclosed as required by the accounting standards and the auditor. But, in the interim, in reality we're a month or two away from enough progress to understand what mechanism the receiver is going to work through.

Ms LOVELL - Minister, in terms of the relationship with Basslink and its administrators, is Hydro Tasmania a secured creditor?

Mr BARNETT - The answer is yes. To be clear - there was an administrator appointed and then a receiver appointed, so KPMG is the receiver and Hydro Tasmania is a secured creditor.

CHAIR - It was publicly announced that APA have bought about \$90 million of the debt. What impact does that have on Hydro's position and the state Government's position, for that matter.

Mr BARNETT - We welcome that development by APA. It has demonstrated their interest. They are a very substantial, publicly listed entity involved in owning transmission and other energy assets across Australia. They have demonstrated that interest in the past and, as you've outlined, Chair, they've made that investment.

We welcome that interest. They confirmed that in a statement on the public record on 22 November in acquiring that interest, and it certainly highlights the commercial interest in ownership and operation of Basslink going forward. I

It's important to note that Basslink is not a state Government-owned asset. Our primary objective is to have a financially stable and competent operator of the cable so it continues to operate in the best interests of Tasmania. The acting CEO might like to add to the answer.

Mr BROOKSBANK - The impact of APA buying debt within the Basslink arrangement, in reality means they've replaced the bank as a financier of the asset; the bank that they purchased it from is out of the mix and APA is in. From how does that plays out with relationship with anything to do with Hydro: our engagement with Basslink is now through KPMG and therefore the receivers. We don't necessarily directly engage with the financiers, unless for some reason that seemed to be an appropriate way to carry through the receivership,

and to date that's not something we've needed to do. From Hydro's perspective, it is unlikely that we'll have too much to do with APA because at the end of the day they've just become one of the financiers within the receivership.

CHAIR - Minister, was there any consideration given by the Government for Hydro to perhaps buy some of that debt, to take a bigger position?

Mr BARNETT - We've considered all of these matters very carefully, taken advice, and worked in consultation with Hydro Tasmania, the state Government and our advisers. It's always been our intention not to purchase the cable and that we'll always do what's best for Tasmania. We look at all of those options, weigh them up and we're taking this action to protect Tasmania's interests - as money owed to the Hydro is ultimately money owed to the people of Tasmania.

Dr SEIDEL - Why do you think, minister, it is not in the best interest for the state to have purchased parts of the debt for Basslink? Why was it not in the best interest for Tasmanians?

Mr BARNETT - Our objective is to ensure that there is a financially stable and competent operator of Basslink; that's in the interests of Tasmania. We will always do what's in the best interest of Tasmania and if those decisions need to change then we'll make that decision at the time, to protect Tasmania's interest.

Dr SEIDEL - You would consider increasing your stake?

Mr BARNETT - Let's be very clear. There is no stake, by Hydro Tasmania, or the Tasmanian Government in Basslink. It's now in receivership, which is the responsibility of KPMG. We have a close working relationship - Hydro Tasmania in particular. It's still operating effectively and competently across Bass Strait. I quote, Peter Gothard, from KPMG, on 12 November, he said :

I want to reassure our stakeholders and the community that Basslink's business will continue to operate as usual and there will be no disruption to the operations of the interconnector or communications as a result of this appointment. The Basslink interconnector will continue to operate as usual during the receivership process, providing an efficient and reliable connection to the national electricity market.

In addition, I make it clear that the Australian Energy Market Operator, which is the independent jurisdictional operator, has also confirmed that the cable remains operational and that it is in close contact with the receivers. It is certainly understood and acknowledged that the receivership process will now take its course, and that will take some time. We're monitoring this very carefully with Hydro Tasmania and on behalf of the state Government to protect the interests of the Tasmanian people.

CHAIR - Minister, I want to understand the hydrogen proposal the Government has presented, which I understand involves the not insubstantial supply of electricity, on a regular basis, at a discounted price for it to be deemed to be attractive to proponents. I understand the amount is just over 20 000 gigawatt hours per annum, which is roughly 20 per cent of the state's output each year -

Mr BARNETT - Sorry, your assumption is what?

CHAIR - It's about 20 000 gigawatt hours per annum, which is about 20 per cent of the state's output each year. That's what I understand. Correct me if I'm wrong. I put it to you, that if more of Hydro Tasmania's base load power is being sold at discount prices then there is notionally less available for Hydro Tasmania to trade via Basslink and to take advantage of the arbitrage opportunities, which is the very reason we make money from the interconnector, and why we're also looking at building another one potentially. Minister, if there are less arbitrage opportunities then Hydro Tasmania would make less profit and Hydro Tasmania will end up importing more to service our existing base load requirements. In your estimate, will Hydro Tasmania be more or less profitable with the hydrogen deal that is being proposed? I am talking about Hydro Tasmania specifically. Will it be more or less profitable because of the matters I have raised in terms of the benefits of arbitrage?

Mr BARNETT - There is quite a range of questions in the remarks and questions that you have put.

CHAIR - There was one question and a few comments.

Mr BARNETT - With respect, Chair, you have raised a number of questions. I would like the opportunity to respond to those questions. We as a state are in a very strategically important position to progress green hydrogen or renewable hydrogen because we have that affordable, reliable, 100 per cent clean renewable energy. This is attracting a lot of interest from around the world, including in Australia and we have backed that in with a \$50 million support package for a renewable hydrogen industry based at Bell Bay that will benefit all of the state.

The interest is from Origin Energy, Fortescue Future Industries, Woodside Energy, Abel Energy and others, they all have plans - three of them significant plans - for world scale green hydrogen manufacturing at Bell Bay. This is consistent with the National Hydrogen Strategy and we have recently made a submission to access some of the \$464 million fund that is available from the Australian Government, for which we are very grateful. We are hopeful of being successful in that submission.

Regarding the profitability of Hydro, let's make it clear this must be in Tasmania's best interests. It must be in Hydro Tasmania's best interests so observations with respect to subsidies are not correct. They are not accurate. We would see this as beneficial to Hydro Tasmania and beneficial to TasNetworks and the other parts of government for and on behalf of the Tasmanian people. We want to ensure continued downward pressure on electricity prices in Tasmania. That is our objective. We have delivered and we expect to continue to deliver. We are ahead of schedule in meeting that target to have either the lowest or amongst the lowest regulated electricity prices in Australia for both residential and business customers.

Discussions are ongoing with the relevant hydrogen proponents which are credible and successful businesses, many listed on the stock exchange. With respect to exactly the amounts of electricity that had been requested, that is not something that we can go into today.

CHAIR - My question is about the profitability of Hydro Tasmania.

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Mr BARNETT - We would expect the profitability of Hydro Tasmania to continue to be sustainable and profitable going forward. A new green hydrogen industry in Tasmania will support and bolster Hydro Tasmania's ability to not only remain sustainable and profitable but more so.

I will see if the acting CEO would like to add to that.

CHAIR - Before you got to the acting CEO, I would like to repeat the question. Are we clear on what the question is? The question is, will Hydro Tasmania be more or less profitable with a hydrogen project system in place, taking into account the money that is made by it through arbitrage? That is the question.

Mr BARNETT - Thank you. Would you like to add to that?

Mr BROOKSBANK - Thank you, minister. For a little bit of context, Hydro Tasmania is the largest producer of renewable energy in Australia and therefore we have something that the rest of Australian industry is wanting and increasing their demand for it. We stand ready to help Tasmania and Tasmanian businesses capitalise on the opportunities that our clean energy provides.

We generate about 9000 gigawatt hours each year which, together with wind, is meeting Tasmania's current demand for energy and clearly with that mix we are self-sufficient in renewable energy. Future industries like hydrogen will be reliant on new wind development for their energy supply. However, these industries need a constant electricity supply which would be interrupted when the wind stops blowing. That is where hydro power and Hydro Tasmania come in. The benefit of our hydro power, apart from it being renewable, is that it is also dispatchable, which means that we can turn it on and off when it is needed.

CHAIR - Minister, I understand all of this. I understand the mechanics of how our system works. My question is, a predominant amount of Hydro Tasmania's profit is made through arbitrage, selling when the prices are high, buying when they're low. Simple economics, nothing complicated about that. What I am asking is with that in mind, with the arbitrage benefits that come through Basslink, will Hydro be more or less profitable if we reduce the amount that we can sell across the link by putting that into production of hydrogen in the state? Do you understand the question there? I will go to the next question because I don't seem to be getting one directly on that. Maybe this next question will help flesh it out.

Have you got any modelling for this? The modelling of what we will get from hydrogen production, in terms of revenue to Hydro and what we get from the arbitrage benefits through trading in the National Electricity Market. So, have you got some modelling and can you provide the committee with that modelling?

Mr BARNETT - Okay, thanks very much for the question. It raises a number of issues there. So, let's be very clear, we have a plan and a vision for Marinus Link, Battery of the Nation...

CHAIR - We'll get to Marinus.

Mr BARNETT - No, this is directly relevant to the question because Marinus Link is preceding through design and approval process and is directly consistent with our vision for

renewable energy. This is directly relevant to Hydro Tasmania and when it comes on line, subject to FID in 2024, so when it comes on line 2028, it is directly relevant to Hydro Tasmania and its profitability going forward. It then feeds into Battery of the Nation and Lake Cethana and our plans for pumped hydro there and it is directly relevant and complementary to renewable hydrogen.

I will ask the acting CEO to add to that.

Mr BROOKSBANK - Where I was going was to help explain the difficulty that comes about from modelling. This in an industry that is very new to the country, the world and to Tasmania. The role we play is an energy neutral firming role, that is, filling in the gaps when the wind doesn't blow or the other less dispatchable renewable energy sources aren't there.

There are multiple proponents, as the minister has described, and we are working with those. It is fair to say that we've started early engagements with those. We have details of contracts and negotiations that are clearly commercial-in-confidence but it is fair to say that we are early in the piece and we don't know enough. It is a guess on our behalf to understand what Fortescue or Woodside are really thinking, the nature and make-up of their plant.

CHAIR - In terms of the amount of energy they will need, is that what you are talking about?

Mr BROOKSBANK - Yes. Energy is obviously dependent, directly related to the number of electrolyzers and therefore the capacity. We just don't know enough yet.

Mr BARNETT - Could I clarify that to add to the answer? They have big plans and part of their plan is to ensure that they get affordable, reliable, clean electricity wherever possible. Our plan to deliver on that is through Hydro and as the acting CEO said, particularly with respect to firming, the benefits of firming, that is backing in wind energy. The beautiful thing about Tasmania is that we have a world-class wind resource and a world-class water resource. We are building on that. So, with more wind becoming available, that provides very cost-competitive electricity.

An independent report which has been released in the last 18 months, indicates that electricity prices in Tasmania for renewable hydrogen are 10-15 per cent more cost competitive than mainland jurisdictions because of the complementary nature of wind and hydro. With respect to future electricity prices in the NEM - National Electricity Market - it is very hard to predict. We know that we have the reliable or dispatchable energy and the beautiful mix of wind and hydro which is why they are all so interested in Tasmania and specifically Bell Bay.

Dr SEIDEL - Minister, the acting CEO mentioned that it's not clear how much energy is actually required. Have you been approached by Fortescue, for example, directly?

Mr BARNETT - Let's just be clear, and I'm sure the acting CEO will clarify that answer. That is dependent on exactly the requirement of energy and the request for energy. They have plans for stages one, two and three to get to a world-class manufacturing facility. Hydro comes in and firms the energy that comes from the wind to support a world-class green hydrogen facility.

I'm sure the acting CEO will clarify that answer so that it's very clear that we are there to meet the needs and the demands, wherever possible, to ensure that we get the best outcomes for Hydro Tasmania and the state of Tasmania.

Mr BROOKSBANK - Thank you, minister. The role Hydro Tasmania plays is an energy-neutral firming capacity. We provide the ability to fill in the gaps. The energy for these proponents would come from new wind development within the state and therefore that would create new opportunities for Tasmania in construction jobs and ongoing operations.

Hydro will always act in its commercial best interests and in the best interests of the state, and ensure that we will be operating on a profitable basis. It is not my task or the organisation's task to do otherwise.

Dr SEIDEL - You are giving a commitment to that you will always step in but you still don't know what the requirements actually are? Is that a fair assumption?

Mr BARNETT - If I can take that, I'm happy to pass to the acting CEO. The major proponents that I've referred to and the acting CEO has referred to have big plans. Their plans and their demands for stages two and three are dependent on their plans as to whether they want to grow or change those plans. We are very focused, in particular, on stage one with respect to the hydrogen proponents. There's a whole range of proponents and we've named some of them to date because they're in the public arena.

Hydro Tasmania has to respond to that, particularly with respect to firming, as the acting CEO said, to meet the needs of those hydrogen proponents because they will be getting their energy primarily from the wind sector in Tasmania - wind energy - and then it's supplemented or firming is then provided. The beautiful thing about Hydro Tasmania is it's dispatchable; it's reliable; it's there when you want. As coal comes off on the mainland, what happens is that there's a demand for more electricity. At the moment, they have wind and they have solar so there's a lot of renewable energy but they don't have dispatchable energy.

To be very clear, there's 26 000 megawatts of dispatchable energy that will be required by 2040 or thereabouts. Tasmania is in a fantastic position to provide energy into that market through Hydro Tasmania across Marinus Link or Basslink. I hope that assists in understanding that. I will see if the acting CEO could add to that.

Mr BROOKSBANK - The last thing I'd say is that we are working with a number of potential new major industry customers, discussing options to support their projects. Details of these contracts and negotiations are clearly commercial-in-confidence.

CHAIR - The hydrogen proponents, you're talking about?

Mr BROOKSBANK - Hydrogen, yes, that is one of the new industries.

CHAIR - There are other large energy users besides hydrogen?

Mr BARNETT - Yes, absolutely. There's a range of major industrials in Tasmania.

CHAIR - New industrials?

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Mr BARNETT - We can talk about the existing major industrials and indeed there are other proponents that are interested in Hydro Tasmania's energy as well as wind energy. There's a lot happening in this space. It's all very positive and very encouraging. A lot of those proponents, we can't disclose for commercial-in-confidence reasons.

CHAIR - I'm not asking you to disclose those, minister. I want to follow up on one comment from the acting CEO. To support hydrogen as an industry in Tasmania, we would need new wind development to support that. Am I correct? I didn't mishear that?

Mr BARNETT - You heard that correctly.

CHAIR - I expect you have some idea of how much extra is needed to support that. I go back to the question of the profitability and the risk versus benefit around this. I understand there's a difference between exporting electricity when you can get the average price, I understand it might be about \$45 per megawatt hour? Is that how much you get for selling it across Basslink?

Mr BARNETT - I'll ask the acting CEO to comment on that specific question. The electricity prices change in the wholesale electricity market in the NEM.

CHAIR - I'm talking about the average price. The average price obtainable is about \$45 per megawatt hour.

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

CHAIR - If I'm wrong, correct me. I'm happy to be corrected.

Mr BARNETT - I'm sure you can outline the arrangements that apply to trading across Bass Strait.

Mr BROOKSBANK - What you are asking is a question around the average we achieve or the average -

CHAIR - I'm talking about Hydro. I'm talking about Hydro's profitability here. I'm trying to make a comparison between what we get trading across Basslink when we're selling, the average price selling into the market as to what we might get for hydrogen if we were using energy in the state to produce hydrogen. The average price.

Mr BROOKSBANK - It's not a number that we would normally reveal. It's a number that explains how we're using the link to the commercial advantage of Hydro Tasmania and explains to other counterparties our performance -

CHAIR - I'm asking for the average price. Surely, that's not a commercially sensitive number. The average price.

Mr BARNETT - I will ask the acting CEO to answer that question but it's not a simple question in terms of the profitability of Hydro and how they trade across Basslink and how they make money in trading across Basslink. The acting CEO indicated in an earlier response that the price can sometimes be negative on the mainland and then can be very high so I'll just pass to the acting CEO.

CHAIR - Yes, I understand that we don't sell into it then; we buy it then.

Mr BROOKSBANK - As I said, I'm trying to answer the question but I'm uncomfortable with revealing too much about our trading strategies. One of the things that indicates what our trading strategies would be would end up on an understanding of how we're performing. I don't have the average spot price to hand but that's one question we could take on notice if the minister prefers.

CHAIR - We will take that on notice - the average spot price, at least, is some indication. Have you got that, Jenny, thanks? This is on- selling electricity into the NEM via Basslink.

Mr GAFFNEY - For us who are not so into Hydro, into how this works, surely when you're doing a - and you used the word 'the guess work' before - but surely, it's a calculated assessment about what each of these ventures is going to do and how they relate to one another? When Hydro sits there and says, 'Are we going to put this much into this area,' whether it's hydrogen or whatever, you have to use, I would think, a baseline figure to be able to work out if this is good business or bad business.

Our job here is to try to get that information so that we can understand not just a surety that this is good for Tasmania. What I'm hearing at the moment is, 'All these things are good for Tasmania but we can't tell you anything because it's all business-in-confidence.'

That's a little bit frustrating from our point of view because we are here to try to drill down into why have you made that decision. How much is it going to cost? What's the return to Tasmania? I'm just hearing frequently - this is the spin but not the -

Mr BARNETT - I appreciate where you're coming from and I'm trying to assist the member and the committee to understand and, through the acting CEO, to add to this. These discussions with the renewable hydrogen proponents are commercial-in-confidence. It is really important that Hydro Tasmania has the ability to negotiate the best possible outcome for Tasmania.

It is not in Hydro's interest or Tasmania's interest to reveal the negotiating parameters that it abides by in negotiations with any of the major proponents or the minor proponents. Once an arrangement is made we want to provide an assurance to you and to the committee and others that it will be in the best interest of Tasmania. It will ensure that Hydro is sustainable and profitable and that's why I commented earlier about the subsidy.

We're not talking about subsidies. These are arrangements that will take place that will provide a return to Hydro Tasmania and the people of Tasmania.

CHAIR - To go to the point of subsidies, minister I am not asking for the contracted amount for the major industrials, we know it is lower than the average punter. If you are selling at a lower price to produce hydrogen when you can get a much higher price, or notionally higher price selling it into the NEM, when the prices are up and we get the average spot prices sometimes. It is unfortunate we cannot get them out or at least give some comparison, that was all I was asking for.

Then surely, that is a subsidy, because you are using that energy to produce hydrogen in the state for the benefit of a private company. The energy cannot then be used to sell over Bass Link or Marinus, or whatever link it might be. And where the money is made, because, as we know, you trade when the prices are good, sell when it is good and you buy when it is low. Surely, that is a subsidy.

Mr BARNETT - Okay

CHAIR - Surely it is a subsidy, the fact that you are selling, potentially selling energy to a hydrogen producer at a lower rate than what you can generally make, selling it via the link, whichever link.

Mr BARNETT - Can I respond? There will be no subsidy. Hydro Tasmania will operate to ensure it is sustainable and profitable, taking into account its current arrangements which is to your point and future arrangements. It is not in their interest to be operating in an unprofitable or unsustainable way and that is a very clear instruction from the Government, and they are fully aware of that.

In addition, we have to do what is in Tasmania's best interest. With respect to the major industrials you have talked about there are of course economies of scale. Now, we cannot go into commercial and confidence discussions, which I think you acknowledge, and deemed as appropriate, and that is absolutely appropriate. But we also know they deliver jobs, growth development and opportunity for Tasmania and we have to also take that into account.

CHAIR - I am talking about the profitability of Hydro. So minister, can I just confirm then, roughly a broad picture of how much energy megawatt/hours would be -

Mr BARNETT - The CEO has a response for your question.

CHAIR - While he is getting that, how much energy would the hydrogen generators require in megawatt/hours per annum?

Mr BARNETT - Is that another question?

CHAIR - It is another question, but I am happy to get the answer to the first one first.

Mr BARNETT - Okay, let us go with the first one first.

Mr BROOKSBANK - For the financial year 2020-21, on the Australian Energy Regulator website is a table of the average spot prices achieved in the regions in the NEM. For Victoria, that price was \$51 megawatt/hour for the 2020-21 financial year and for Tasmania \$45 megawatt/hour.

CHAIR - Oh God, there you go. How many megawatt/hours per annum are we are talking about being sold to hydrogen producers?

Mr BARNETT - For the major hydrogen proponents? I do not believe that is something that can be provided, because it is commercial-in-confidence, in terms of exactly what amount of electricity, they are seeking and of firming other parts of those arrangements. I am happy

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for the acting CEO to respond, but of course, I am sure you understand the importance of these discussions.

CHAIR - There were some figures coming in the public arena about the likely amount would be required for it commercial profitable themselves. Let us have a chat about how many gigawatt/hours we are talking about?

Mr BARNETT - I will ask the acting CEO to respond to the best of his ability subject to those commercial and confidence concerns.

Mr BROOKSBANK - I must reiterate and it sounds like pleading the fifth, but we are meeting a number of different hydrogen proponents. They all have different plans for the state and for their assets, so I cannot reveal the conversation we had about the volumes of capacity they are looking to build. As we have seen in the press, there are a number of different ranges put.

CHAIR - What ranges have been put there? Let us look about the ones that have been talked about. The range of gigawatt/hours proposed?

Mr BARNETT - Are you able to assist the Chair?

Mr BROOKSBANK - Thank you minister, I will take it as my recollection, but I have seen numbers as much as 1700 gigawatts of capacity they are asking for. That is certainly a significant amount of energy of gigawatts of capacity, not gigawatt hours of energy.

CHAIR - Right, okay, anyone else on that? I want to keep going on Basslink before we go to another topic for members. To some of the figures in your annual report, regarding trading, on page 107 of the annual report, it tells us Basslink exports and imports are there. We know we have been a nett importer from these figures in this last financial year. You have told us how much of gigawatt hours, can you tell us what amounts they relate to, what is the dollar amount of those gigawatt hours for the year and the import and export? We have export of 1007 and import of 1612?

Mr BARNETT - Thanks Chair, I will pass to the acting CEO.

Mr BROOKSBANK - The way we arbitrage, as you have pointed out across Basslink, is a competitive advantage for Hydro Tasmania and therefore for the state and no, the achievement of that is commercial-in-confidence. The megawatt hours are public knowledge. The outcome of that are not.

CHAIR - You cannot provide the dollar amount for the 1007-gigawatt hours as a dollar value, the total, not on an individual, daily, weekly, monthly basis, just the total? I can understand why that would be commercial-in-confidence, the total, because obviously you are trading and not always getting the same price, minister?

Mr BARNETT - Again, it is a matter for the acting CEO.

Mr BROOKSBANK - Thank you minister. Maybe I will go slightly differently. We, Hydro Tasmania, are running a large organisation in highly competitive industry going through significant transformation. For us to be revealing our internal competitive advantages to our

competitors does not make any commercial sense whatsoever. As the acting CEO of Hydro Tasmania and indeed CFO prior to that, this is not a number you would reveal in pretty much any circumstances. If I was a counter-party, a competitor to Hydro, I could back-solve the value we gain from that. It is commercial-in-confidence to Hydro and would not be revealed.

CHAIR - Maybe this is a matter the committee might need to take in confidence then minister, because the only way that anyone, in terms of trying to scrutinise the profitability and the other exciting projects you talk about, how they fit into the system and their viability is to understand how much you are actually making now. Surely, that will inform future projects and what I am trying to understand the amount of money made and the cost to Hydro Tasmania overall in their imports and exports?

Mr BARNETT - Yes and I can understand where you are coming from and can see and reflect upon the objectives of your question which are absolutely understandable, but reflecting on the observations of the acting CEO earlier, that the national electricity market is in a state of transition. It is not just price and this is a point I would like to emphasise. It is the importance of dispatchability and capacity and in addition, cleanness of energy and the fact we are 100 per cent fully self-sufficient in renewable energy is really important.

It's going through a transition. From time to time, there are negative prices on the mainland and then often positive prices. Going forward, it is very hard to predict what those prices will be in the wholesale electricity market. As the acting CEO has outlined, it might assist the committee to understand the changing nature of the National Electricity Market (NEM) and why Tasmania is so well-placed, going forward, to be sustainable and profitable and deliver affordable, reliable, clean electricity.

Dr SEIDEL - Through you, Madam Chair, that is fair enough; but our job is to scrutinise Hydro at the moment. What we get from you, minister, is reassurance but not really evidence - because the evidence is commercial-in-confidence and it's going to make it really hard.

CHAIR - Particularly in the future.

Mr BROOKSBANK - I've been in this industry a touch over 20 years; the last two of them in Tasmania working with Hydro Tasmania. I've seen the industry move through the creation of the NEM, I've seen the industry move through the creation of gentailers, where large retailers have become generators. Indeed, for 14 years I worked for one of those in AGL. I have not seen so much transformational change in this industry in my 22 years.

When I started, 80-90 per cent of generation on the mainland would have been from coal-fired generation. The percentage now would be south of 70 per cent or getting close to it. The retirements of the coal-fired power stations are creating a transformational change to the industry which means that everything is in a state of flux.

The forward price of electricity, the forward price of green certificates, even the plans of the owners of those coal-fired power stations are changing on a regular basis. Your ability to understand what that future might look like and build your business to respond to that future is a competitive advantage that all organisations in the industry seek to achieve, as does Hydro Tasmania.

Again, we rely on our renewable energy, our Hydro power, we rely on the wind. It is the generation of choice for the Australian energy market going ahead. It is the thing that will allow the coal-fired power stations to exit in an orderly transition, but those organisations are struggling to make ends meet. They've been base-loaded which means they run all the time. It is hard to turn a coal-fired power station off; I've done it numerous times, it's a long time to turn it back on.

The commercial-in-confidence nature of the work we do precludes the detail but, rest assured, this industry is going through a massive transition.

CHAIR - I'm interested in the value of exports and imports over the last seven years. The reason I want to know, and a lot of other Tasmanians want to know, is what does our trading history tell us about how effective an interconnector is? I want that, because it will then inform us for future interconnectors or other mechanisms.

Maybe it's better to have hydrogen than an interconnector. These are big dollars we're talking about being spent, and Tasmanians have a right to know how Basslink's performed in terms of imports and exports. I'm asking again, minister, can you provide to the committee the value of the exports and imports over the last seven years? Not how you've traded, just the headline figures - imports, exports.

Mr BARNETT - My first response is to say that interconnection is complementary to a renewable hydrogen industry going forward, and specifically Marinus Link is complementary to a renewable hydrogen industry. That's been acknowledged by the various hydrogen proponents.

I will ask the acting CEO to respond to the question, noting that what we don't want to do is reveal commercially sensitive information that could ultimately put the jobs and livelihoods of Tasmanians at risk.

Mr BROOKSBANK - I think the best we can do is to do some work that we are currently doing, and take this as a question on notice and to answer the question using publicly available information. It won't be exactly Hydro but it will provide you with what any other person in the NEM would be able to work out.

CHAIR - You'll provide the committee information about the value of the exports and imports of the last seven years?

Mr BROOKSBANK - Using publicly available information, yes.

CHAIR - When will you be able to provide that?

Mr BROOKSBANK - We are working on that at the moment, but I don't have a time frame. It is not an easy calculation or an easy thing to access, but hopefully within the time of this committee hearing.

CHAIR - Regarding the rapid transition that you are talking about Minister. On page 4 of the annual report you have comments around the rapid transition and on page 12 there are a few paragraphs about continuing to provide a dividend et cetera. When I look at the budget papers for 2021-22, the expected returns from GBEs, Hydro's expected returns in the

forward Estimates fall away quite a bit. Can you provide an explanation for this and explain how this can be the best environment in which we plan to build the Marinus if the dividends fall away because profitability falls away? I have been trying to understand more about the profitability, but without that information that I have asked for in front of us, it is a bit hard to know whether that is the most effective way forward.

Mr BARNETT - I will attempt to provide a two-part answer and then pass to the acting CEO. There is a state of massive transition in the National Electricity Market. Tasmania is very well placed because of our affordable, reliable and clean electricity but it is becoming more and more competitive, the wholesale electricity market, in the years to come and that's reflected in the annual report and elsewhere.

I can also indicate that the time period you are referring to in the annual report is prior to Marinus Link coming on. Marinus Link coming on in 2028 for the first cable and then a few years later for the second cable, subject to FID in 2024, will provide further and significant opportunity for Hydro Tasmania, and other energy operators and proponents in Tasmania to be able to trade into the National Electricity Market.

Mr BROOKSBANK - The live performance you're referring to in the forward Estimates is largely the result of the forecast lower market electricity prices and what is becoming an increasingly challenging retail environment. They contribute to our forecast.

CHAIR - Momentum is included in that, in terms of your retail prices. Are you talking about the whole company?

Mr BARNETT - Hydro Tasmania, the whole business.

Mr BROOKSBANK - I am talking about the Hydro Tasmania group, of which Momentum is our retail arm on the mainland. When I refer to the retail environment, I am talking about Victoria and New South Wales.

The underlying profits are being driven by both the challenging retail environment as well as the falling forward price for electricity; we are a generator into that price and that therefore drives our financial performance.

We are is a business that has a number of levers and some very smart people in our organisation, so, that allows us to gain an understanding of how that market may play out. We are always focused on producing affordable and reliable electricity and managing our returns in the best possible way given the circumstances we face.

Ms LOVELL - Minister, I have some questions about the restructure and in particular a number of termination payments that have been publicly spoken about in the annual report. The former CEO, Steve Davy received \$669 000 in termination payments. The former COO, Gerard Flack, received \$965 000 in termination payments in the same year. Andrew Catchpole received \$542 000 in termination payments and Robert Tanti received \$207 000 in termination payments. Could you please provide for the committee a breakdown of the components of those payments? Were they leave entitlements, paying out contracts? What were the components that made up each of those termination payments?

Mr BARNETT - Thank you for the question. First of all, it is important as a government business enterprise that remuneration arrangements are set to attract and retain highly qualified and experienced executives in what is a competitive national market. Hydro Tasmania is required to comply with the guidelines for Tasmanian government businesses which includes a specific guideline on director and executive remuneration.

It reflects a national market and I know the chair, Grant Every-Burns, has a special interest in this because the remuneration of key management personnel is a matter for the Hydro Tasmania board, as I have said publicly and previously. We must remember that they are overseeing a very important energy supply. Hydro Tasmania has done an excellent job in moving through a fast moving and transitioning national electricity market and has helped us lead, not just Australia but the world, as a renewable energy powerhouse.

The contractual arrangements are a matter for the Hydro Tasmania board and the details that you ask about, I would imagine at least some of those would be commercially-in-confidence relevant to the individual and I would urge caution about those particular matters.

CHAIR - They are entitlements, surely.

Mr BARNETT - I will see if the acting CEO or the chair would like to add to that. Perhaps the chair to kick it off?

Mr EVERY-BURNS - Thank you, minister. I appreciate the question. This is a matter that stirs interest. Could I make a couple of comments up front? The people we are talking about are very senior people. They are people who have families and I always find it unfortunate that details about their pay and severances and so on end up being prosecuted publicly. I completely understand that it is the way of transparency but I urge some caution and respect in these matters. I have been subject to it myself and it doesn't come without difficulty. It doesn't come without pain for families and relationships and so on.

Nevertheless, I am happy to work through them if this is what the committee would like me to do.

Ms LOVELL - To be clear, I am not questioning the appropriateness or the employment of any of these people but they have been paid out significant amounts of public money. It is important that is accountable to the public so yes, please, I would like you to go through those.

Mr EVERY-BURNS - Yes, I understand that. In the case of Stephen Davy, Steve was committed to the Hydro. He was a chief executive for seven years and it is important to understand, as the minister said, we need to attract the very best people. To do that we have to pay appropriately and we have to pay in a manner that attracts people from the very best of industry, experience, education and humanity. In Steve's case, Steve was a graduate in physics, educated in New Zealand. He came and worked in Australia in the merchant banking sector and became very experienced in trading which was subsequently to our great benefit but in the years prior to that he worked for Eraring Energy and at that time he was trading energy into the newly-formed National Electricity Market.

CHAIR - If I might interrupt, Grant, for a moment. We are not wanting all the personal details of the persons. That is perhaps being a little bit too descriptive of the person. We accept that they were highly-qualified people, otherwise they wouldn't have been employed by Hydro.

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If Sarah could just repeat the question rather than go through everyone's credentials, that's probably not necessary.

Ms LOVELL - That's right. I'm not calling into question any of their qualifications or credentials or experience. I'm purely asking for a breakdown of each of the termination payments paid to those people.

Mr EVERY-BURNS - In Steve's case, he then brought that expertise to Tasmania and he actually was instrumental in bringing Tasmania into the National Electricity Market. Steve was paid out totally in accordance with his contract of employment. That contract of employment was put in place a decade ago, or, slightly less than a decade ago by Dr Crean and Mr Green, who was minister at that time.

The contract had conditions in it that meant that when the contract ended there were certain payments that went with that as conditions of the contract. In Mr Davy's case, yes, his termination payment, as the member noted, was \$669 000. His termination piece in that was about \$477 000 which was purely a matter of contract. His untaken leave which would have, I believe, constituted annual leave and long service leave, was \$192 000. Of the \$669 000, over \$200 000 of that was leave he was entitled to in the course of employment. That would have been paid in any case.

Ms LOVELL - Of course. On that, Grant, I understand that Mr Davy worked to the end of his contract.

Mr EVERY-BURNS - Yes, he did.

Ms LOVELL - Okay. So, the \$477 000 that was not accrued leave entitlements, what was that? What was the entitlement in his contracts that entitled him to that additional payment if he simply worked to the end of his contract?

Mr EVERY-BURNS - Yes, that was a condition that had been negotiated into that contract at that point in time. As I say, that was almost a decade ago. The condition was that if the contract was not renewed then there was a termination payment that was built into it.

Ms LOVELL - Was that if the contract was not renewed at the instigation of Hydro Tasmania or at the instigation of Mr Davy, because I understood Mr Davy resigned.

Mr EVERY-BURNS - No, that's a very good question. It was universal. It actually - if the contract wasn't renewed then that kicked in.

CHAIR - We don't get a contract like that here.

Ms LOVELL - No.

Mr EVERY-BURNS - That was a condition of contract that actually travelled through the contract.

Ms LOVELL - Thank you. Grant, if you would like to go on with the next one. Gerard Flack, the former CEO.

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Mr EVERY-BURNS - Yes. Gerard Flack, Gerard worked for us for 34 years, to my memory, and you've asked me not to go through all the personal details but -

CHAIR - We don't doubt his credentials.

Ms LOVELL - No, we're not questioning his credentials or his commitment to the company in any way.

Mr EVERY-BURNS - No, but it is important, though, that he started out effectively on the tools and ended up with a degree in Business Administration and worked for us then in a very key role for a long period of time. He worked for the company for 34 years and out of that 34 years comes a redundancy entitlement.

Gerard left the company under a redundancy condition and that's what kicked in. His total remuneration payment was \$965 000, I think you've quoted - that agrees with my figures - of which his redundancy entitlement calculated in accordance with the employment conditions was \$711 000. His leave, or untaken leave, was \$214 000.

Ms LOVELL - Thank you. Andrew Catchpole?

Mr EVERY-BURNS - Andrew's total termination payment - I agree with your figures, \$542 000. Andrew had worked for the corporation for 20 years, from a geological background and then he became very skilled in strategy and governance. His redundancy as result of years of service, was \$439 000 and his untaken leave paid at that point was \$75 000.

Ms LOVELL - Sorry, so \$439 000 was the first figure, was that correct?

Mr EVERY-BURNS - Yes, \$439 000, that's right and his untaken leave was \$75 000, yes.

Ms LOVELL - So, there's around \$40 000 there that's not accounted for.

Mr EVERY-BURNS - I've got some figures here: \$439 000, \$75 000 - and there's another payment of \$28 000 and I don't have the detail of that, to be honest with you. It's part of the settlement. That's what I've got.

Ms LOVELL - Okay, so, Robert Tanti?

Mr EVERY-BURNS - Robert Tanti was our General Manager Human Resources. Rob was heavily involved in the restructure and he got caught up in the restructure I might say. Rob had been with the company for something short of three years. He was intended to be based in Tasmania, but Rob also got caught up in the COVID-19 piece and the travel became almost unworkable. During the restructure process we had agreed that we wanted to simplify the business and amalgamate some of those roles, so Rob's role became redundant. It was not voluntarily redundant; again, I asked for some care in this. It was necessary for the chief executive at the time to negotiate a settlement with Rob so that he could move on. I agree with you that the total termination payments were \$207 000, of which there was a redundancy portion of \$53 000; actually, it's more than that because there's also superannuation held on this, so that comes up to over \$60 000. There's a pay in lieu of notice of \$60 000; leave directly paid of \$27 000; and there's again a settlement payment here of \$56 000 and I believe that was to do with, what was regarded as sort of a normal payment in industry to close that arrangement.

Ms LOVELL - Going back to the condition in Mr Davy's contract for termination, sorry, that contract not being renewed. Do those types of clauses exist in any other, or are they written into any other, new executive employee, or current executive employee contracts?

Mr EVERY-BURNS - No, no, certainly not. They're not uncommon in industry and they're certainly not uncommon if you go back a decade. I later understood the logic of this one, but it wasn't known to me even at the time I became Chairman. This particular one - Mr Davy - was an internal candidate of Hydro. He'd been working there for many years, and in the normal course of events, had the job that he was doing become redundant or ceased for any reason, he would have been entitled to severance payment. I think, even at the time Mr Davy became the CEO, there was a lot of to-ing and fro-ing, as I understand it, in order to bring Mr Davy on and remunerate him properly. His particular concern, I think, was around the possibility that you could become the chief executive and suddenly have no carry-through entitlements. Your employment could be terminated rather more easily than a long-term employee. I believe that was the logic of how that fitted together.

As I say, it is not at all unusual in industry but is no longer existing in our pay structures or, indeed, I think in the public service structures.

Ms LOVELL - Minister, the positions that were redundancies - the Chief Operations Officer, Mr Flack and Chief People Officer, Mr Tanti, do those positions not exist anymore in the company?

Mr EVERY-BURNS - That's correct.

Mr BARNETT - I will add to the answer that the chair gave a few moments ago regarding the former chief executive, Steve Davy. The contract that you asked about was signed by Dr Crean and Mr Green.

CHAIR - Sorry to interrupt you, but people can't hear on this side of the table because of the noise. We will have a break now and try and fix this and come back in 15 minutes.

The committee suspended from 10.33 a.m. to 10.45 a.m.

CHAIR - We will make a start. It is 10.45 a.m. We can start the broadcast. Sarah, back to you.

Ms LOVELL - I think the minister might have been in the middle of a -

CHAIR - He was too. Sorry.

Mr BARNETT - I appreciated your earlier questions. I just wanted to confirm with respect to the former CEO, Steve Davy. That contract, as the Chair indicated was under the former chair, Mr Crean and former minister, Mr Green, under the previous Labor-Greens government and goes back a long way with that condition signed at the time.

Ms LOVELL - Thank you Chair. Minister, I had a question about Mr Albertini's resignation -

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CHAIR - Before we go to Mr Albertini, we will just have a very Tasmanian thing to do, Mr Albertini is the cousin of the member for Huon's mother-in-law and if you can figure that out you are doing well. He has not even met Mr Albertini, but we wanted to make that very clear there is a familial relationship on this side of the table.

Dr SEIDEL - It will be front page news tomorrow.

CHAIR - That is right, it is Tasmania.

Mr BARNETT - Understood, acknowledged and thank you for sharing that.

Ms LOVELL - Minister I understand Mr Albertini resigned for personal reasons, was he paid any termination entitlements?

Mr BARNETT - I will pass to the chair or the acting CEO.

CHAIR - I do not think we have Mr Every-Burns back.

Mr EVERY-BURNS - You do, I am sorry minister, I have only just come back.

CHAIR - The question, Sarah.

Ms LOVELL - The question was whether Mr Albertini was paid any termination payment on his resignation and if so, what amount and what were the components of that payment?

Mr EVERY-BURNS - Minister?

Mr BARNETT - Yes, thank you, chair, if you could respond to the member's question.

Mr EVERY-BURNS - Yes, Mr Albertini was paid strictly in accordance with his contract of employment and his total termination payments will be recorded in the annual report next year, but I think we will just report it now. His total termination payment is \$475 000 and of that - minister I think I was asked about the leave proportion of that -

Ms LOVELL - Just the component, in the same way we have done for the previous former employees?

Mr EVERY-BURNS - His untaken leave was paid as \$278 000 and a payment of \$197 000 applied to a notice period. He did not fully work out the six-month notice required, \$197 000 paid in lieu of notice. That is the totality of it, there is nothing else.

Ms LOVELL - Can I confirm Mr Albertini resigned?

Mr BARNETT - Yes, he resigned for personal reasons.

Ms LOVELL - Okay. Ordinarily, a notice period being paid out in lieu would occur where a position was terminated by the employer. What were the conditions of his contract that entitled him to that payment for not working out his notice period?

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Mr BARNETT - Thanks for the question and I will pass to the chair.

Mr EVERY-BURNS - Thank you minister. Yes, the notice period in the contract, again, is normal in contracts. It is quite onerous in the sense the CEO is required to give six months notice or in the alternative, the company is required to give six months notice and it is a two-way arrangement. It is a normal arrangement of how much of a notice period you work out. I apply my judgement to that and Mr Albertini has worked out a number of months of that and in which case he was available to me as I needed. At that point, I believe it was better to move on and that is what we have done.

Ms LOVELL - Thank you, I am a little unclear about that, because with a notice period it is a payment in lieu of a notice period would be if the employer decided that was not necessary for an employer to work out that notice period. If an employee chose not to work the notice period and resigned of their own volition that would not ordinarily be a workplace practice?

Mr BARNETT - I will pass to the chair but the chair has indicated that it was consistent with the contract that was signed. The chair has indicated that it's typical in contracts like these to attract competent, capable, experienced people to Hydro Tasmania but I'll pass to the chair.

Mr EVERY-BURNS - I've got nothing to add. That's the nature of the contract and it's the advice that I have.

Ms LOVELL - Thank you. Minister, how long was Mr Albertini employed by Hydro Tasmania in total?

Mr BARNETT - A long time but I'll clarify that through the chair to assist the committee.

Mr EVERY-BURNS - Yes, Mr Albertini started as a trainee, actually, at the beginning of his working career and then worked elsewhere in the world, came back and worked as a consultant, or, worked in Entura or what was the engineering business in those days, then moved through to run the asset business. He worked for us for almost 20 years.

Ms LOVELL - Thank you. Minister, there are some fairly significant payments in untaken leave being paid out to executives, understanding that's an entitlement that all of those people would be entitled to, but it also creates a fairly significant liability for Hydro Tasmania if people are not taking their leave. Are steps being taken to ensure that all employees, including those at executive level, are able to take leave that they're entitled to and encouraged to do so, in fact?

Mr BARNETT - I will pass to the chair and/or the acting CEO in terms of leave and the policy for leave.

Mr BROOKSBANK - I might take this question, if that's all right, chair?

Mr EVERY-BURNS - That will assist me. Thank you, Ian.

Mr BROOKSBANK - Leave management, whether it's annual leave or long service leave, is a key part of any organisation's approach to managing its people. The steps in place are what you would normally expect in a business like ours. We're focused on employee

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welfare, health and wellbeing, ensuring that we manage that. But, as you can appreciate, it's always a challenging -

Ms LOVELL - Okay. Thank you.

CHAIR - Mike, I think you had a follow-up on this earlier.

Mr GAFFNEY - A follow-up and I'm not wishing to make anyone uncomfortable here but could somebody inform me what's the process for seeking a replacement and when is it anticipated that a permanent CEO, as opposed to an acting, will step in?

Mr BARNETT - I think it's best for the chair to respond to that question because that's now being actively pursued but I think the chair could answer that question in further detail.

Mr EVERY-BURNS - Yes, it's best for me to say we are currently right in that process, it's underway at the moment. There's little more I can say. I expect to be putting a recommendation to the Energy minister and the shareholders in accordance with the guidelines in the new year. That's where we're up to.

Mr BARNETT - To assist the member, I think the members would like to know a little bit more, chair, about - you have a recruitment process to find the best person for the job across the marketplace. Did you want to confirm that?

Mr EVERY-BURNS - Yes, we're working at the moment with recruitment companies who are expert in this space. The recruitment process will be, as it has been prior, via search and application. There's a process by which a committee of the board will go through interview processes after the recruiters have made initially long-list recommendations, then short-list recommendations. We will be involved in that process throughout and then, ultimately, making the recommendation in accordance with the Government Business Enterprises Act.

Mr GAFFNEY - Thank you, minister.

Mr DUIGAN - Moving to some operational matters, understanding that Hydro is owner and manager of a number of large-scale assets in the state, could the minister update the committee on asset management and some of the key projects that are either underway or planned in the near future?

Mr BARNETT - Certainly, Hydro Tasmania does actively manage its assets. They need to be not only managed but maintained. A lot of people probably aren't fully aware that they invest about \$150 million each year in maintaining and refurbishing its various assets around the state. We have 50 lakes, 30 power stations or thereabouts around Tasmania. We're endowed and blessed, as a state, with water. We want to use it very wisely, so 1 per cent of Australia's land mass, 12 per cent of Australia's rainfall, 27 per cent of Australia's water in storage. Hydro Tasmania is the largest water manager in Australia. We're proud of that.

That \$150 million, for example, the key projects are the site implementation stage include the following - Trevallyn, number one refurbishment; Catagunya, number two refurbishment; and Lake Echo power station refurbishment. Since 2007, the application of asset management and risk management standards and practices have driven improvements to achieve a greater

than 90 per cent net reduction in the number of asset issues that expose the corporation to high revenue risks and high duty of care. Safety and compliance, for example, are very important.

The asset issues have not been at the expense of exposing the business to medium risk, which are significantly reduced from those levels in 2007. Asset management plans and practices are subject to considerable external review and assessment. I've visited a number of those stations and assets over a long period of time and I'm very impressed with the level of professionalism that Hydro Tasmania applies.

That assessment is independently reviewed, there's regulatory oversight by the Office of Tasmanian Economic Regulator, there are third party audits, there's a dam safety regulator and there are expert risk engineers all involved and insurance underwriters.

The projects that I've referred to all reset the operating integrity of the generating assets and provide a further 30-plus years of safe and reliable renewable energy. They come with capacity of up to eight megawatts in efficiency so 5 per cent of the approximate 300-gigawatt improvements for those projects I referred to. That is improved capacity. That's another benefit to Tasmania.

The local spend is estimated to be approximately \$30 million over the twelve-month program in that local area.

CHAIR - Is that \$30 million out of the \$150 million?

Mr BARNETT - No, there's more than that but I'll refer to the acting CEO in a minute. Hydro Tasmania will also be upgrading Murchison, Scotts Peak and Edgar dams to meet modern design criteria in coming years. It's already done that successfully at Rowallan, Catagunya and a number of other dams in the portfolio.

More broadly, those investments in Hydro generation portfolio provide substantial opportunities for engagement with local contractors and professional service providers. I'm happy for the acting CEO to assist the member with a break down.

Mr BROOKSBANK - As described, we have an active management program for our asset base. It's clearly the asset of the state. Our oldest asset is close to 80 years old. We invest about \$150 million a year which means that over the last 10 years or since 2008 we've invested over \$1.2 billion in asset refurbishment and upgrades ensuring that power generation is both safe and reliable.

I might ask if you could repeat the detail around the break down, please.

CHAIR - In his response, the minister said that there were \$30 million of local spend in that. You've confirmed there's \$150 million per annum, roughly, spent on capital investment and maintenance of our assets. I'm interested if that's \$30 million in local spend is part of that \$150 million.

Mr BROOKSBANK - As stated earlier, we've spent about \$128 million locally on local suppliers in the financial year 2021-22. A good portion of our capital projects will have an overseas element. We have very specialised plant and equipment that isn't manufactured in

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Australia let alone in Tasmania but for all of the civil works and that local construction work we look to Tasmanian suppliers for that at all possible opportunities.

That \$30 million would have been part of the \$128 million local spend.

CHAIR - There's \$128 million out of the \$150 million of local, not just the \$30 million? I am confused about how much we are spending on locals. It is a key interest to Tasmanians, how much local spend there is.

Mr BROOKSBANK - The local spend was \$128 166 497.

CHAIR - Out of the \$150 million?

Mr BROOKSBANK - No, that is the spend of Hydro in all of its guises. That includes a spend, for example, on stationery and those sorts of things.

CHAIR - Okay.

Mr BARNETT - Not just asset management.

CHAIR - If we can go to the asset management which was Nick's question. How much was the asset management spend? I thought that was the \$150 million but I may have misunderstood that? How much did we spend on asset management in the last 12 months?

Mr BARNETT - The figures that the acting CEO can confirm that the Hydro Tasmania invests around \$150 million in maintaining and refurbishing its asset base -

CHAIR - So it is \$150 million then?

Mr BARNETT - to ensure it is fit for purpose in Tasmania for the long term and that includes both capital and operational expenditure.

CHAIR - What I am asking then is how much we spend on maintenance of our assets per annum, which is what Nick was asking about? How much was spent, not on operations but on the capex and the maintenance and all that goes with maintaining our assets?

Mr BROOKSBANK - To be clear, the \$150 million is maintaining and upgrading our asset base. The \$128 million is the spend on local suppliers. Within the \$150 million will be a portion of local spend, which that same portion would sit within the \$128 million. The exact number we don't have to hand but we are trying to get it at the moment. What you are asking for is the amount of local spend on a specific part of our overall spend. We know what the local spend is overall but not on a particular part. We don't have that number to hand.

Mr DUIGAN - Another one in that space about storage. I notice in the annual report last year hydrological flows were a bit of a drag on the bottom line, I guess that is up until 30 June. I notice since 30 June we have had a good spring in terms of rainfall. If the minister could potentially update where we are storage-wise and what that potentially means for energy security?

CHAIR - In other words, if you have an updated graph, page 107.

Mr DUIGAN - Pretty much.

Mr BARNETT - We have the annual report and I appreciate we have had a wetter spring, which the member is quite right. The lake levels at the moment, it is 52.2 per cent full on 22 November, just a week or so ago. Yes, energy security is very strong. It is not at risk and for anyone familiar with our energy storage, it is calculated as total energy in storage and measures the amount of water in Hydro's lakes and rivers. I have mentioned the 50 lakes, 30 power stations and our rivers. It is available for generating our energy.

In a typical year, this measurement seasonally shifts between 25-50 per cent but it is rare to be over 50 per cent so it is very good at the moment. It is above the high of the high reliability level and the prudent storage level as well, very good levels. It is consistent with the Tasmanian energy security framework response and we have acted on the report recommendations that were implemented after the challenges we had in 2015-16. We have acted on that as a government.

We have legislated to secure Tasmania's energy security going forward so those dam levels have to be at certain minimum levels. They can't go below that, depending on the time of the year. The acting CEO can add to that but we are pleased with where we are at the moment. With the further introduction of wind generation, we have had Cattle Hill, and Granville Harbour wind farms, that has brought on more wind, more generating assets into the system and that has provided further energy security. With Marinus Link and our plans for Battery of the Nation, which is pumped Hydro, that will provide even more confidence in our energy security in the future. We're very pleased with that. The Tamar Valley power station is available as a backup and that remains an important part of Tasmania's energy mix.

Mr BROOKSBANK - I will provide a little bit of colour about just how significant it is having over 52 per cent in storage. In the past seven years or so since the energy challenges of 2015, back on 5 December 2015 our energy in storage was 26.2 per cent. Today we sit at a little bit north of 52 per cent. From a water perspective, hydrologically, we're in an extremely good position. The levels we haven't seen in eight or nine years in Tasmania.

As a recent mover to Tasmania, having been coming here on holidays for many years, I haven't seen as much rain in a good portion of my life. Yes, our dam levels are extremely high which, when you couple that with the new wind that has been built in the state, particularly that has been commissioned to come online in the last couple of years, we not only have more water to generate from but we have more wind generating energy. The Economic Regulator's water reserve review has provided for us a decent buffer to ensure that there are particular triggers that help us manage that. From an energy and storage perspective, it's extremely healthy and we're very pleased with that.

CHAIR - Minister, since you mentioned Granville Harbour, I might go onto some of the onerous contracts and just look at some of that. I note on page 57 of your annual report, note 17 discloses the value of onerous contracts at 30 June as \$261 million.

Mr BROOKSBANK - What page was that again?

CHAIR - Page 57. The footnote related to that refers to gas contracts and large generation certificates. Then on page 103 it talks about the onerous contract with the Granville

wind farm but that's actually included as a CSO. A couple of questions about this, minister. Is this how the government views the assistance given to Granville as a CSO, Granville wind farm, not as a business deal, \$2.7 million as a CSO? I'm interested that that would be considered in that way.

Mr BARNETT - A lot of what drives government policy is to bring on more renewable energy development and that has occurred with both Cattle Hill wind farm and Granville Harbour. I should mention Granville Harbour has just hit a record for Australia - 57.5 per cent capacity back in August this year, so that's fantastic. Tasmania has as world-class wind resource which means that it's very windy a lot of the time, particularly on the west coast, north-west coast, and the now renewable energy zones and, indeed, the Bass Strait. I will pass to the acting CEO to comment on those onerous contracts.

CHAIR - I want to first talk about why it's a CSO. That was the question. I will come to more detail to the onerous contracts in a minute.

Mr BROOKSBANK - I've spent 20-plus years in our industry and the price of LGCs in that time has ranged from a low of \$22 to a high of \$90 so the onerous contract calculation assumes a quantity of large-scale generation certificates times by the forward price and that obviously calculates whether the contract is in or out of the money.

During the period, as I mentioned, from about 2014 through to roughly now, we have seen prices range from that \$22 to \$90 so the contracts would not have always been onerous; they would have been in the money early in the piece when the full price of LGCs was above the contract price.

CHAIR - The question I asked was why is this considered a CSO in terms of the Granville Harbour wind farm? I will read it for you, if you're not sure. If you look at page 103 it very clearly says that the power purchase agreement is a CSO. Why is it a CSO, a community service obligation? Why are we considering this a community service obligation rather than a business arrangement or a business deal?

Mr BARNETT - As I said earlier, it is consistent with Government policy to bring on new renewable energy developments wherever possible. With respect to Granville Harbour, Hydro Tasmania was directed to enter a power purchase agreement with that entity for the facilitation and construction of the Granville Harbour wind farm. It took effect once the wind farm became operational in 2020 and it continues as a contract.

CHAIR - I understand you directed them to enter into this agreement, as has happened with others. Why was this one - on its own, not Cattle Hill, not some other area - determined to be a CSO? Whose decision was it? When was the decision made and why?

Mr BARNETT - It is a community service obligation, as you have indicated, and we believe to be in Tasmania's best interests and in the public interest, and a benefit to the community, not just on the west coast but across the state. I will ask the acting CEO to add to that answer.

Mr BROOKSBANK - From a CSO perspective, it relates to the large scale generation certificates that are purchased from the wind farm. The volume of those certificates creates the

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calculation of the onerous contract and therefore that volume times by the forward price for LGCs is the number that you see in the annual account.

CHAIR - \$2.7 million in this case?

Mr BROOKSBANK - Yes.

CHAIR - It's interesting that this is considered a CSO, along with a sponsorship of Cricket Tasmania and the Hobart Hurricanes. It seems like this is a commercial arrangement; but you are saying it is a community service obligation that we agree to buy LGCs from Granville Harbour wind farm. Why would Hydro Tasmania see it is necessary to buy LGCs when we can generate some of our own? I know there is a point at which they kick in and Hydro and a lot of our generation doesn't attract LGCs.

Mr BARNETT - The government at the time and the Government now wants to support Tasmania's credentials as the renewable energy powerhouse of Australia. That is part of our plan. We have a renewable energy action plan through to 2040 to build on 100 per cent fully self-sufficient renewable energy. We have now legislated for 200 per cent through to 2040. 150 per cent by 2030. This is clearly consistent with government policy. We believe it is in the community's interest. We believe it is in the public's interest to deliver more affordable, reliable and clean electricity.

CHAIR - Does this \$2.7 million cover all the LGC contracts with Granville?

Mr BARNETT - I think it is in the annual report as \$2.7 million, but I will check with the acting CEO.

Mr BROOKSBANK - Yes, on page 103 of our annual report, the paragraph related to Granville Harbour wind farm states that the unfunded CSO direction has implied cost to Hydro Tasmania of \$2.7 million due to the prevailing market price of LGCs.

CHAIR There are no other LGC contracts with Granville other than these ones, the \$2.7 million. Is that right?

Mr BARNETT - That's my understanding, but I will clarify that with the acting CEO and the acting Chief Financial Officer.

Mr BROOKSBANK - Yes, that relates to the value of all the LGC contracts with Granville Harbour at the moment. It gets revalued each year based on what the forward price curve for the LGCs do. In past years it wouldn't have existed because the forward price was high. In future years it will be different to \$2.7 million.

CHAIR - Yes, I accept that. How long are these LGC contracts for Granville for then?

Mr BARNETT - To make it clear, the LGC's price depends on the market, so it goes up and down; and prevailing market prices for the LGCs change as the market changes. Regarding time frames and related matters. I will pass it to the acting CEO.

Mr BROOKSBANK - The contract will end by January 2028.

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CHAIR - Okay. I know there are onerous contracts in place for LGCs with Woolnorth wind farm as well, but they're not considered to be CSOs. Can you explain to me why these ones are considered differently than Granville wind farm?

Mr BARNETT - Those arrangements were put in place many years ago, in terms of Woolnorth; certainly, before my time, but we'll check with the acting CEO about those arrangements.

Mr BROOKSBANK - Describing a contract as onerous or otherwise is not dependent upon the CSO nature of the contract. The Woolnorth wind farm contracts have become onerous as a result of the same movement in the fall price of LGCs.

CHAIR - They weren't onerous at the outset, when it was first put in place; that's what you're saying, minister?

Mr BARNETT - That's my understanding. I'd like to clarify that and ensure that the acting CEO can confirm that was the situation at the time.

Mr BROOKSBANK - Yes, Hydro Tasmania would always enter into sound commercial decisions and they were not onerous to begin with. The price for LGCs was much stronger, back in the day.

CHAIR - Okay, so sticking with Woolnorth wind farm for a moment. We know Hydro Tasmania owns 25 per cent of that and I understand your acting CEO is a director of Woolnorth wind farm. The Chinese government owns the other 75 per cent. I understand that Shenhua is a Chinese state-owned company; correct me if I'm wrong. There are a few details about Woolnorth wind farm 2020-2021 financials on page 85 of Hydro Tasmania's annual report, but not a lot. I obtained a copy of Woolnorth wind farm ASIC Form 388, and it is 2020 and they do report by calendar year, so I don't expect the figures to line up exactly. However, when I looked at the revenue break-up under that report for the 2020 year, electricity sales plummeted from \$90 million to \$35 million in one year. I'm interested in why that happened. What was the reason behind that?

Mr BARNETT - Sorry, which financial year are you referring to?

CHAIR - It's the calendar year that they report, 2020, which is the most recent report.

Mr BARNETT - I'll pass to the acting CEO -

CHAIR - I don't think the wind has stopped blowing, that's the question.

Mr BROOKSBANK - With the Woolnorth wind farm, as you describe, we do own 25 per cent of the joint venture, Shenhua does own 75 per cent. Like all assets generating into the energy market it is subject to the price fluctuations that occur in the pool price, in the regional pool price. As a wind farm, it doesn't have the same level of dispatchability as a Hydro station does. We can turn water on and off; you can feather props if you need to, but that generally doesn't happen. Wind is one of the cheapest forms of energy, and of renewable energy, in the system. The reason for the value or the profit changing is simply a product of the market conditions that prevail that are providing the revenue to that asset.

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CHAIR - Was it market conditions that saw the drop of \$90 million to \$35 million over a 12-month period, or just short of \$35 million, \$34.8 million?

Mr BROOKSBANK - The pool price can range from minus \$1000 to over \$14 000. In the last couple of years, the transition that the energy market is going through - the retirement of coal-fired power stations, including one that I've worked at that retires in the next little while - that is creating a great deal of uncertainty in the national energy market and organisations are managing that as they can. The price is becoming more variable. The wholesale energy price is becoming more variable. Yes, that level of fluctuation is entirely possible.

CHAIR - Minister, I'll accept the transition of the whole sector and everything, which is important when we're looking at wind farms, which is what we're talking about here. However, with the retirement of coal and uptake of more renewables, are we expected to see these prices improve or get worse? Higher or lower?

Mr BARNETT - I will pass to the acting CEO, but in answer to part of that question, the independent analysis says by 2040 there will be a demand for up to some 26 000 megawatts of dispatchable energy. That is what Tasmania has through our hydro, reliable, dispatchable energy. There will be a big demand across the national electricity market and we are in a good place for that, hence Marinus Link and Battery of the Nation green hydrogen. With respect to the other part of the question, I will ask the acting CEO to respond.

Mr BROOKSBANK - Before I do, I might clarify this question of the Woolnorth profitability. The \$90 million or thereabouts you were quoting and the other number would have included the fair value movements, which are the revaluation of the derivative contracts.

CHAIR - It was that movement as well as the market forces?

Mr BROOKSBANK - That is right. One of the features of our industry is because the pool price fluctuates so much, you enter into derivatives to manage the price risks and they get revalued. In relation to the future variability of the forward energy price, if I could answer that question in any detail I can assure you I would not be sitting here today talking about it. I would be somewhere in the Bahamas relaxing. Any industry going through transition will see wide fluctuations in its supply and demand criteria and therefore the price. All I can say with any certainty would be that yes, as this industry goes through its transition as the coal-fired power stations come out of the mix and the new renewable energy that comes into the mix, as more innovative products to hedge the variability of that renewable energy comes into the mix and assets and projects like Marinus and the other interconnectors come into the mix, that price fluctuation will continue. You would imagine in decades ahead, stability as the transition finalise could well return. If I could answer that with any definitive...

CHAIR - If I could look back rather than forward then, I assume it is not possible for you to answer this, maybe it is the acting CEO, how many gigawatt hours were sold for the \$34.8 million of energy sales from Woolnorth Windfarm, the last reporting year?

Mr BARNETT - How much?

CHAIR - How many gigawatt hours were sold?

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Mr BARNETT - That is an operational matter so I will check if it is possible to answer, but I will check with the acting CEO.

Mr BROOKSBANK - Thank you, minister. I do not think we have number to hand. It is public information. Every generator is registered in the NEM. Their numbers are published on the site. I do not have that to hand but think my counter party is getting it for me.

If I might return to the question with regarded to spend on assets. Of the \$150 million you spoke of, \$30 million was local spent on Catagunya, Trevallyn and Lake Echo. There are also a large number of other projects and maintenance activities where there is both a mix of overseas and overseas equipment. Predominately, our local spend on our asset refurbishments are local contractors and employees of roughly \$60 million per annum.

CHAIR - Okay.

Mr BARNETT - I am keen for Hydro Tasmania to respond to your question.

CHAIR - If they cannot do it now they can bring that one back.

Mr BARNETT - If you are happy, chair.

CHAIR - I know your acting CEO is getting messages with the answers but I am keen to move on.

Mr BARNETT - I am keen to get that answer to the committee as soon as convenient.

CHAIR - Can I ask how many LGCs did Hydro Tasmania buy in that year from Woolnorth Windfarm?

Mr BARNETT - Thanks for the question. You can respond, acting CEO.

Mr BROOKSBANK - We will need to add that to the question we have referred back.

CHAIR - Okay.

Mr BROOKS - In context Woolnorth is a very small portion of the Hydro Tasmania portfolio. We manage at a portfolio level and having the individual data about an individual asset like Woolnorth was not something we expected we would be asked questions on.

CHAIR - I am trying to understand the profitability of another wind farm we have that has a much longer history of operation. I might go to the gas pipeline TPG and the issues with a Hydro asset, Tamar Valley power station. Minister, I am sure we have all heard from TPG about the gas pipeline agreement to be renegotiated from 1 January. Does this mean the value of any onerous contract with TGP and 30 June is still quite small because the contract only had another six months to run? Following on from the onerous contracts, I assume the gas contract that is onerous must relate to this. I am wondering about the value of this onerous contract.

Mr BARNETT - Thank you for the question. This has been very topical, at least in the public arena and the lower House in recent weeks. We have been very clear about energy security not being at risk, the energy security risk response framework being implemented and

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effectively working well and more wind coming on backing in our energy security position. We have been very clear the Tamar Valley power station is not for sale.

CHAIR - We will come to other matters related to it but I am interested in the onerous contract associated to gas.

Mr BARNETT - I will pass to the acting CEO and note also Hydro Tasmania's plans not to decommission the same.

Mr BROOKS - Before I answer that question, if I may indulge the committee and refer back to the question of Basslink flow values and average import prices. The average weighted export price for the period 2015-21 was \$93.79 per megawatt hour. The average weighted input for price for the same period was \$45 per megawatt hour.

CHAIR - Thank you for that. I know it is not exact figures for Tasmania.

Mr BROOKS - This is information on the public record.

CHAIR - That is fine. I know they are not exactly the figures that relate for Basslink but when you see there is a decent differential there, my point I come back to, minister, is if you are taking a lot of energy generation that could potentially be sold across at higher prices. I am trying to understand the financial viability of it. Using more energy for another major industrial on-island or making more money for Hydro Tasmania and thus the people of Tasmania through the benefits of arbitrage. That is the whole point of our line of questions because if we do not understand the decision being made around the profitability of Hydro and where we get the best bang for our buck as taxpayers and how you make your decisions around that.

Mr BARNETT - That is right and my response earlier which is my response now is it needs to be sustainable and profitable whatever arrangements are taking place.

CHAIR - It does not have to be the most profitable.

Mr BARNETT - With our hydrogen proponents or others and it needs to be in the best interests of Tasmania which includes jobs, growth, development and opportunity.

CHAIR - If Hydro Tasmania is not as profitable as they can be less money comes back to the people to employ people in the state and to provide other services surely, that is the purpose of dividends?

Mr BARNETT - You have made a good point, but Hydro Tasmania is a government business enterprise and should always act in the state's best interest as well as acting in a sustainable way as our government business enterprise. That is why we have shareholder ministers, regular meetings with Hydro Tasmania and it is money owed to Hydro Tasmania is money owed to the people of Tasmania and why we are acting in Tasmanians best interests.

CHAIR - Back to the question about the onerous contract with TPG.

Mr BROOKSBANK - The onerous contract for TPG has wound off, in other words, it's no longer on foot. In fact, as you know, we're negotiating a new contract from 1 January next year. In terms of the gas onerous contractor you're referring to, it relates to the gas generation

assets on the mainland that we have a share of - the Bairnsdale Hospital and Vic Hospitals gas contracts.

CHAIR - Yes, so that's the onerous contracts related to the gas?

Mr BROOKSBANK - Yes.

CHAIR - Minister, with the renewal, or otherwise, of gas contracts, is there the intention still to provide Bairnsdale Hospital with gas? That was part of the deal to provide a use for the gas and we weren't using it. Or are we just going to say, 'No, Bairnsdale can get theirs elsewhere'?

Mr BARNETT - There are only two things I would say. One is that the negotiations that have taken place with Tasmanian Gas Pipeline are commercial-in-confidence. This matter has been raised in the lower House on many occasions and I've indicated and cautioned my shadow about reaching into that commercial-in-confidence negotiation. Having said that, I'm more than happy for the acting CEO to respond as best he can.

Mr BROOKSBANK - The Tamar Valley power station gas negotiations are commercial-in-confidence. We are in the process with TPG about the gas access transportation to the Tamar Valley power station. It is an important part of our generation portfolio, the power station.

It's important for us to understand what actually is the Tamar Valley power station. It's actually five generating units rather than one. It's important to understand the nature of those five units and the capacity that they play and where they sit in the cost merit order. Gas is one of the more expensive fuels to generate electricity from, diesel is clearly more expensive.

The nameplate capacity of the Tamar Valley power station is 388 megawatts. Of that, three units known as the FT8s, with 40 megawatts each, are 120 megawatts of that 388. The fourth unit is colloquially known as 'the Trent', or it's a Rolls Royce unit at 58 megawatts. The sum of 178 megawatts from those four units is what is called 'peaking capacity' so you use it to generate when either demand or price signals exist.

Because it's expensive to generate from these units - north of \$100 per megawatt hour - you would be generating when the price is high. The combined cycle unit is a total of 210 megawatts. It's effectively two gas turbines - sorry, two turbines, one being a gas turbine of approximately 140 megawatts, the other a steam turbine of approximately 70, hence the combined cycle descriptor.

It is an asset that's more designed to run baseload to produce energy on a continuous basis for long periods of time. It's an asset that we have not run in the last two financial years. It is an asset that is currently in a state known as 'dry storage' or 'dry layup' which means that with a three-month program that asset can be returned to service. It sits within the Australian Energy Market Operator's (AEMO) generation dispatch as a three-month return to service asset.

CHAIR - Okay. Just on this point, the three-month return to working and dispatching into the grid, who owns these assets?

Mr BROOKSBANK - Who owns the Tamar Valley power station?

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CHAIR - No, no, the generators - the gas turbines and the five units.

Mr BROOKSBANK - Hydro Tasmania owns the Tamar Valley power station.

CHAIR - And all its assets inside it?

Mr BROOKSBANK - Yes.

CHAIR - So Tasmanian Gas Pipeline couldn't remove one of the turbines to be relocated somewhere in Victoria to use it to generate gas there?

Mr BROOKSBANK - No, the turbines are owned by Hydro Tasmania. The Tasmanian Gas Pipeline could not remove one of our turbines and take it anywhere and generate gas from it. It's a generating unit so it's generating electricity consuming gas.

CHAIR - Yes, I understand that.

Mr BROOKSBANK - No, they cannot take it away.

CHAIR - You'll probably going to tell me that this is commercial-in-confidence again but is there any indication of what the financial gain will be to Hydro Tasmania by not contracting as much gas? Following from that, is there a financial gain to Hydro by not taking a set amount or whatever amount gas that's determined? Will that cost be expected to be passed onto other consumers such as our major industries who rely on gas and mums and dads who use gas for heating, cooking and other energy?

Mr BARNETT - Firstly, in answer to that and before I pass to the acting CEO, gas is an important part of our energy mix in Tasmania, not just in the north but around the state, particularly in manufacturing, mining and mineral processing and the like. Secondly, these negotiations that are taking place relate to an agreement between Hydro Tasmania and Tasmanian Gas Pipeline. A number of years ago, you might recall there were commercial negotiations that took place and the National Gas Rules did apply and allowed for arbitration arrangements in place. Our energy security is certainly not at risk.

On the previous occasion, those arbitration arrangements were applied and utilised during that contract negotiation. I put that forward in terms of the past arrangements.

Regarding what's happening now and the negotiations between Hydro Tasmania and Tasmanian Gas Pipeline, I will be very clear, they are commercial-in-confidence. That information, terms and conditions of those arrangements and those negotiations are taking place. As a Government, we are monitoring this very carefully and we will always do what's in the best interests of Tasmania but they are commercial negotiations and they are in confidence. Reaching in this space or elsewhere is not an appropriate approach but I will ask the acting CEO if he can assist further.

Mr BROOKSBANK - To be clear, Tasmanian Gas Pipeline owns the pipeline and we're negotiating with them for access to capacity on the pipeline. It's not a gas molecules negotiation. We're not negotiating with Tasmanian Gas Pipeline for the molecules of gas that will flow through the pipeline. There are other providers of gas.

Secondly, the negotiations that we have are commercial-in-confidence, very clearly. We are negotiating for access to a pipeline to supply the Tamar Valley Power Station. Other customers of Tasmanian Gas Pipeline who require access to the pipeline have separate negotiations that we're not a party to in any way.

CHAIR - Minister, how do you then avoid price shocks for people who rely on gas? If that cost of transporting the gas into the state has to be spread across a smaller number of people and customers, then you would expect that cost to be apportioned. What will the Government do to address price shocks in this?

Mr BARNETT - The first point, the discussions relate to space in the pipeline not the actual molecules of the gas, itself, and we are monitoring it very carefully. We have my department being in contact with the relevant gas users. We have 13 000-plus residential gas users and various commercial and industrial gas users around Tasmania. They are all very important customers.

CHAIR - Will the Government step up into this space, minister? I'm asking what action you'll take to try and prevent price shocks for these customers.

Mr BARNETT - The best example I can share with you is the previous negotiation where, thanks to the minister sitting here and the national energy ministers, they agreed to an arbitration arrangement, that would apply across Australia in terms of any negotiations regarding gas. Those arbitration arrangements were put in place, they were effective and a mutually agreeable outcome was agreed and approved, under those various arrangements. That's a matter for the parties, Hydro and Tasmanian Gas Pipeline. We hope they'll get to a morally agreeable outcome. It's a matter for those parties, but we're monitoring it very carefully.

Ms LOVELL - Minister, what advice have you received from the Director of Energy Planning about the decision not to have a stand-by contract available for the Tamar Valley power station combined cycle gas unit?

Mr BARNETT - That question is not directly relevant to Hydro Tasmania and certainly outside the terms of reference. I'm not sure why you'd be asking that question.

Ms LOVELL - It's relevant to your decision, as minister. You're not willing to answer that question?

Mr BARNETT - It's to do with the department and the Government; it's not to do with Hydro Tasmania. How is it relevant to Hydro Tasmania, if you'd like to explain?

Ms LOVELL - It's to do with the negotiations between Hydro Tasmania and the Tasmanian Gas Pipeline, and the decisions that have been made around the Tamar Valley power station.

Mr BARNETT - What's the question?

Ms LOVELL - Well if you're not prepared -

Mr BARNETT - What's the question?

Ms LOVELL - What advice have you received, as minister, from the Director of Energy Planning in relation to the decision not to have a stand-by contract?

Mr BARNETT - As minister, I have regular meetings with my department, and in terms of our energy security, it's certainly not at risk. I receive feedback and advice on a regular basis. With respect to specific advice that I may, or may not receive, I'm not going to divulge that advice; other than to say that in terms of the confidence we have around gas and gas supply and our energy security, which is very secure, we've in fact probably never been more secure as a state, in terms of our energy future. I won't be disclosing any specific advice, other than the fact that we are very confident in terms of the position that we're currently in.

CHAIR - Mike, you had a question?

Mr GAFFNEY - Mine is more towards recreation and commercial use of Hydro storage, so -

CHAIR - We'll keep going with the gas for a bit if you like.

Ms LOVELL - If I can just ask one more about the contract. Minister, I understand that you have said, and the acting CEO said, that you believe it will be able to be online within three months. However, I understand that the Tasmanian Gas Pipeline has said that without a contract in place it's more like two years. What are you basing the three months on?

Mr BARNETT - That's an operational question for the acting CEO; he's best placed to respond to that. He has referred to that in a remark to this committee, just a few moments ago.

Mr BROOKSBANK - As I was describing, the capacity and the various assets that Tamar Valley power station has - the generating assets - there are three pipelines into the station. Two of those pipelines serve the combined cycle plant, one of them serves the Rolls Royce and the other serves the three FT8s. That is because those units will run at different times and provides the flexibility that we need.

What Tasmanian Gas Pipeline was referring to when they said that it would take 24 months to return assets to service was nothing to do with the actual generating plant. It was not Tamar Valley Power Station. Under the national electricity rules, only the owner of an asset can determine what its bid into the market at and what recall to service, for example, it has. Tasmanian Gas Pipeline would be in no position to provide any input into what it would take us to bring in a unit back from dry storage. The dry storage, three month return to service, is a program that we have within our business, ready in the event that we would need to bring that unit back to service. It's not a Tasmanian Gas Pipeline task.

Ms LOVELL - That's not dependent on the contract negotiations?

Mr BROOKSBANK - The three month return to service? No.

CHAIR - One more point on this. I understand that the gas supply agreement, between TGP and Hydro, is yet to be finalised and expires at the end of this year, which is less than a month away. I understand the lack of certainty around this is causing significant concerns for

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industry. When can the industry - the users, I am talking about - when can they expect to know what the future is here, particularly in terms of pricing?

Mr BARNETT - The best way to answer that is what happened previously. As I said, the National Gas Rules apply and an arbitration arrangement is in place.

CHAIR - I am asking about the new contract, minister. Some of these industries need to let their insurers know of potential changes to their circumstances and they need a lead time for that. When are we likely to see a new contract or a decision on this, so that the industry can go forward with any certainty?

Mr BARNETT - The industry does have the security of knowing that gas will be available past 1 January this year because the National Gas Rules apply and arbitration arrangements are in place. There will be an allowance for continued transportation and access for customers, wherever they may be, including the Tamar Valley power station.

CHAIR - Is the price determined through that process?

Mr BARNETT - Yes, arbitration arrangements cover the terms and conditions of the contract, as it did last time. However, that is a matter for the arbitrator. I will ask the acting CEO to add to that answer.

Mr BROOKSBANK - The contract that we're negotiating with Tasmanian Gas Pipeline is about access to the pipeline for the Tamar Valley power station. The question that you have asked is a question to be asked of TGP and the other customers that TGP have. The majority of customers in Tasmania currently procure their own gas transportation agreements and most interact directly with TGP or other shippers. Note that several of those customers, obviously we are not party those contracts, but I would imagine that those contracts may not be expiring this year anyway.

CHAIR - They are not reliant on a new agreement with TGP in order to have some certainty? That is what I am asking here. I have had concerns raised with me by industry.

Mr BARNETT - At least part of the answer is that those customers that you referred to and perhaps you may have spoken to, they have contracts in place. Those contracts remain in place and will continue to remain in place. The discussions we are having with Hydro Tasmania and TGP and that contract arrangement: the current one concludes 31 December and those negotiations are ongoing. With respect to other customers and the term and conditions of those agreements, that is a matter for them. Perhaps the Acting CEO can add to that.

Mr BROOKSBANK - I can't add to that because I am not a party to those; and nor should I have anything to do with those contracts.

CHAIR - Winding up on the onerous contracts. We have discussed the onerous contracts with TGP, Granville Harbour wind farm and Woolnorth wind farm. Are there other onerous contracts with any other entities?

Mr BARNETT - I will check with the officers at the table and the acting CEO.

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Mr BROOKSBANK - The onerous contracts are not something that we would disclose publicly. They are not disclosed in our annual report. We are required to disclose the quantum of the overall onerous contracts and our auditors would ensure that that number is accurate and correct; but the individuality of it is not something that we would disclose.

CHAIR - You have named up TGP, Granville Harbour wind farm and Woolnorth wind farm. So, are there other onerous contracts besides those ones that are named up?

Mr BARNETT - I will pass to the acting CEO.

Mr BROOKSBANK - To be clear, TGP's contract is not onerous.

CHAIR - Let's talk about Granville Harbour wind farm and Woolnorth wind farm and the other ones that have wound down.

Mr BROOKSBANK - Yes, there are onerous contracts but we do not disclose those for confidentiality reasons.

CHAIR - I am not going to ask you to name them. I am going to ask how many of those onerous contracts there are?

Mr BARNETT - Thank you for the question. We will check with the officers at the table if they are in a position to provide an answer to that question.

Mr BROOKSBANK - There are three others.

CHAIR - From the footnote 17, it would suggest they also relate to LGCs because it says it refers to gas and LGCs and you have just said gas is no longer an onerous contract. Can we assume by that comment the other three onerous contracts relate to LGCs also?

Mr BARNETT - That is a supplementary question best put to the acting CEO.

Mr BROOKSBANK - Again, the clarity, there is a gas onerous contract but it does not relate to the Tamar Valley power station, it relates to the Bairnsdale and Victorian hospital contracts. The answer to the other question is yes, those other contracts relate to LGCs.

CHAIR - There are no other onerous contracts other than gas and LGCs to confirm?

Mr BARNETT - I will refer to the acting CEO.

Mr BROOKSBANK - Yes, that is correct.

CHAIR - Nick, did you have anything else on gas?

Mr DUIGAN - Not necessarily on gas on cyber security. We could all probably understand the ramifications of a cyber-attack on Hydro and what that might mean for the state. Minister, I understand the company is doing some work in that area. Could you update the committee on where we are in terms of cyber security for Hydro Tasmania?

Mr BARNETT - Thank you for the question. It is a good question. It is important across the country and these are sizeable assets we have in Tasmania. Cyber security is becoming more important in recent months and years and we are acting across the state particularly, with respect to the Australian energy sector cyber security framework and the Australian Cyber Security Centre's Essential Act Strategies for Mitigating Cyber Security Risks and key initiatives are underway.

In 2019, Hydro Tasmania established a multi-year program to guide the implementation and maturity of cyber security practices and technologies across the business which is reflected in the increased investment they have made in cyber security over that period. Hydro Tasmania is equipped with cyber security risk management framework and accompanying strategies support the identification and operationalisation of processes and technologies focused on reducing the exposure and impact of cyber-attacks, cyber security incidents that may be introduced into Tasmania's energy generation capability.

This is referred to and discussed at the Energy Security's Ministers' meeting from time to time. It is important across Australia and it is something we all need to be on top of. Hydro Tasmania is doing that. The objectives of the program of work include implementation or maturity of critical cyber security governments and operations functions, including but not limited to policies and standards, compliance and assurance, cyber security logging and monitoring, threatened vulnerability management and cyber security incident response.

The cyber security CI-UP program is expected to close, having delivered its objectives, in March 2022. There is more work to do and continuous improvement, agility in a dynamic environment Hydro Tasmania 's defining cyber security will maintain that vigilance. Those sorts of activities vulnerability assessments, penetration tests and the evaluation of new and existing operational systems to meet the defined cyber security standards name just a few.

We are collaborating closely with other states and territories, likewise with the federal government for which we are grateful. They are providing feedback and contributing to the codesign of the positive security obligations being drafted in line with the security of Critical Infrastructure Act Amendment Bill 2020. Those initiatives adopted by Hydro Tasmania being the Australian Energy Sector Cyber Security Framework and essential eight strategies I referred to earlier are aligned to those obligations being proposed in that amendment legislation in terms of co-designing those arrangements. We are monitoring it very closely. Hydro Tasmania takes this matter very seriously and a range of cybersecurity uplift programs and actions we believe deliver on those objectives. We must remain vigilant and will continue to do everything we can to keep our community safe from cyber attack and the various cyber incidents that may occur.

CHAIR - Thanks, minister. We might move on. I have a couple of areas I wanted to go to. I understand the state changed the rules with regard to the minimum energy levels recently and have a few questions that, hopefully, I will get a yes or no answer to. Did this decision regarding changing the rules relate to the likely increase in wind farms?

Mr BARNETT - In terms of energy security and the -

CHAIR - The minimum energy levels.

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Mr BARNETT - Yes. Well, of course, that relates to the Energy Security Taskforce report and recommendations which we have responded to and are implementing, hence, the 52.2 per cent dam levels which we are very pleased about.

CHAIR - Does it relate to the likely increase in wind farms?

Mr BARNETT - Yes, it considers a whole range of measures, but I will be asking the acting CEO to expand on that answer.

Mr BROOKSBANK - The review was commissioned because the two new wind farms had come into operation. That is obviously a clear and key assumption to then put into any modelling on energy supply and demand within the state of Tasmania. The modelling is based on assumption of the energy supply position for the state of Tasmania in all of the sources of that energy supply.

It certainly picked up the Granville Harbour and Cattle Hill wind farms, noting with the introduction of those assets the total - a touch over 250 megawatts of capacity. The introduction of that new wind into the system means there is less reliability on some of the other assets, hence, Tamar Valley power station conversation. The answer, in short, is yes.

CHAIR - Is the Government going to release that modelling, minister?

Mr BARNETT - In terms of the review that was -

CHAIR - No, the modelling the acting CEO referred to.

Mr BARNETT - Yes, the information the acting CEO referred to has been developed by the monitoring assessor. It has been looked at and carefully reviewed by the Economic -

CHAIR - No, I am asking is the modelling going to be released.

Mr BARNETT - The information is on the website.

CHAIR - The modelling?

Mr BARNETT - The Tasmanian Economic Regulator's website - economicregulator.tas.gov.au

CHAIR - Is that the modelling that is on there that has been done?

Mr BARNETT - With respect to the information the acting CEO referred to, that is on the website.

CHAIR - I ask you directly, is the modelling available?

Mr BARNETT - Which modelling are you referring to?

CHAIR - The modelling the acting CEO referred to in determining the decision on the minimum energy levels, the change.

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Mr BARNETT - The information that determines the minimum Hydro storage levels, whether it be prudent storage levels or the high-reliability level, is assessed by the monitor and assessor in accordance with the legislation we passed and that information is on the website.

CHAIR - I do not dispute that, minister. I am asking the modelling referred to by the acting CEO, is that available and will you provide it to the committee?

Mr BARNETT - I will have to pass to the acting CEO in that regard.

Mr BROOKSBANK - A quick point of clarification, given we are running out of time. I had previously said the onerous gas contracts on the mainland with Bairnsdale and Vic Hospitals had expired. In fact, that should be corrected to show the Vic Hospitals agreement has expired and the Bairnsdale agreement will flow through to 23 April 2024.

CHAIR - Okay. Let us get to the modelling.

Mr BROOKSBANK - In respect of the modelling, I am referring to modelling that has not been done by Hydro Tasmania; I am referring to what I have seen in the public arena from the Office of the Technical Regulator and the review. As I say, the modelling is not a Hydro piece of modelling.

CHAIR - Okay. You have not done modelling that demonstrates the impact of wind farms on, say, energy storage levels in Tasmania?

Mr BARNETT - Can I answer that by saying that is specifically covered by the energy security framework report and recommendations. We have legislated for that. It is now being addressed by the monitor and assessor. That information that refers to the wind farms, which has improved energy security, hence, the energy storage levels being where they are at and where they are required to be at, is set out on the Economic Regulator's website.

CHAIR - Okay. We will move on. Who made the decision to effectively replace firm energy with variable energy?

Mr BARNETT - In what context are you asking that question?

CHAIR - In the minimum energy levels. They change from firm energy to variable. Who made that decision?

Mr BARNETT - That information and that analysis is in accordance with the report and recommendation of the monitor and assessor. Do you want to add to that?

Mr BROOKSBANK - I honestly do not know the answer who within the Economic Regulator would have made these decisions. Your questions, do we have modelling, we Hydro? Absolutely, we have to have that modelling to ensure we are able to operate our assets and our portfolio effectively. That is not publicly available modelling information. That is actually our IP, the thing that we see as a competitive advantage. With specific response to your question, I do not know the answer.

CHAIR - Has the state changed the rules about this?

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Mr BARNETT - We legislated in accordance with the report and recommendations.

CHAIR - Was industry consulted? I understand that big industry players were not consulted. Who was consulted?

Mr BARNETT - That is a question for the Economic Regulator and the monitor and assessor. Exactly who was consulted when and where, we do not have that information to assist the committee.

CHAIR - The state legislated, who was consulted then?

Mr BARNETT - In terms of the legislation. It went through the parliament.

CHAIR - I know it went through the parliament. I said who was consulted?

Mr BARNETT - In terms of the legislation? My understanding it was made available for public consultation and feedback. It has been very strongly supported across business, industry, various stakeholders. We have received a lot of support for the work and the policies that we have been implementing and we are very pleased with that. It is all consistent with the Tasmanian Energy Security Taskforce report and recommendations. We have acted on that. Hence, we cannot have a situation that occurred in 2015-16 again.

Hydro Tasmania's hands are tied in accordance with those rules and regulations that are set out in that legislation and in accordance with the ongoing consistent monitoring and assessment by those within government that it is required to undertake that assessment.

CHAIR - We are out of time, minister.

Mr BROOKSBANK - The remaining question I notice relates to the generation from the Woolnorth Wind Farm. In the calendar year 2020, as you know, the sum total of gigawatt hours was 1010 and LGCs matched that one for one.

CHAIR - Thank you for that. There is one quick question, minister. With regard to the potential to extend the contract for Basslink for another 15 years, that is due to be made, I have forgotten what year it is. Has Hydro Tasmania yet decided whether it will extend the contract? I am asking if they have made a decision on it yet.

Mr BARNETT - Clearly, Basslink is now in receivership and KPMG is the receiver and we are having ongoing discussions with the receiver regarding Basslink. Its ongoing energy security is not at risk in terms of ongoing supply. KPMG has made it very clear that it will continue to operate in the usual way.

CHAIR - It would be important for the receiver to know whether there was an intention to extend the contract or not surely, in terms of determining the value of the asset. How can you sell an asset if you do not know its value?

CHAIR - That is clearly a matter for KPMG.

CHAIR - I am asking the question, has Hydro Tasmania made a decision about that yet?

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Mr BARNETT - Hydro Tasmania needs to act in accordance with its charter and in the best interests of its shareholders to ensure a sustainable and profitable future. We cannot be dealing in hypotheticals when it comes to Basslink.

CHAIR - I am not asking for a hypothetical, minister. I am asking has Hydro made a decision on that matter? They have a right to extend the contract.

Mr BROOKSBANK - Clearly, the operating nature of the Basslink asset has changed fundamentally since it's gone into administration and then immediately into receivership. KPMG's requirement now is to build that framework of operating that asset through the course of the receivership period and working out how best to return value to the secured creditors of that asset.

The question of whether we have decided to or not to renew any contract that relates to Basslink is on hold because we need to understand what Basslink now is. We don't know what's going to happen. The receiver will determine that and the market will determine that.

It's not a question of 'yes, we have' or 'no, we haven't', it's in the mix of our processes. Basslink sits within that modelling I referred to earlier. When the time comes, we'll know what to do. We'll make the decision then one way or the other.

CHAIR - It's up to the receiver to work out the value anyway. Thanks, minister, to you and your team.

Mr GAFFNEY - I have one, Chair, and it's something that can be tabled perhaps, minister. It's to do with water releases from dams. There were two types, I think, recreational release and a commercial release, one being for sporting groups and schools and the other being for a commercial return. It could be the last financial year or even the calendar year, and you apply for it online. I would like to know, with the groups, how many were granted? How many were refused and how many were cancelled and why? It could have been for COVID-19 or it could have been for any number of reasons why those releases didn't occur or why they occurred.

Online it says the date and the time but it doesn't say whether it was granted, refused or cancelled.

Mr BARNETT - Can you tell us where you're referring to online?

Mr GAFFNEY - Upcoming water releases from Hydro through Mersey River below Rowallan power station, Forth River, King River, Bradys slalom course. There're different ways that water is released. Some of those are for recreational value and some of those are for commercial. Some can be accepted, granted or refused. I would like an understanding and I'm quite happy to talk to one of your staff about what needs to be tabled if that's easier. I'm recognising the time.

Mr BARNETT - I acknowledge that. I understand where you're coming from. We do want to respond to all questions at the table wherever possible. I'll ask the acting CEO to respond but it's a very comprehensive question seeking a great deal of information. I'm very keen for Hydro to respond to the questions so I'll pass to the acting CEO.

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Mr BROOKSBANK - The website that you're referring to is Hydro's. They are agreed releases. They can be changed and withdrawn based on operational requirements, as you would imagine. I don't have with me why each individual request was withdrawn, changed or whatever. That's a level of detail that sits quite a way down in the organisation and not something that the acting CEO or the CFO has a decision on.

Mr BARNETT - We'll just clarify what the member's seeking to find out.

Mr GAFFNEY - For example, if the water storages in place is up around 52 per cent which is great, I want to know why some activities might have been refused, cancelled or agreed to on releasing of water for certain activities.

Mr BARNETT - Do you have any particular activities that you're referring to or to particular organisations that you're thinking about?

Mr GAFFNEY - I can talk to any staff member about what needs to be tabled. It's across the course, why some groups are perhaps being denied and some people have been accepted. I want to understand how that happens in a calendar year.

Mr BARNETT - To assist the member, I might as the acting CEO to speak to the general sorts of matters that are taken into account when those assessments are made. That might assist the committee.

Mr BROOKSBANK - As the website suggests, our task is to work extremely closely with community groups and other users of the waterways that we manage. Therefore, those organisations are always in the picture. Why we might not agree to a release would be there is an outage on the relevant upstream plant and so there was no water.

There could be that we would release because there is a spill risk and therefore we'd be releasing rather than holding, which would be a safety to the dam and equipment decision.

In essence, they are operational reasons that will determine in those circumstances.

Mr BARNETT - A lot of the information is on the website, but the acting CEO has attempted to respond to the question.

CHAIR - Can we have that provided to the committee later? We do need to finish.

Mr GAFFNEY - That's fine. I wanted to know what was granted, what was refused and what was cancelled? That is not on the website.

CHAIR - They can provide that to us afterwards. We need it in short order, so we can report.

Mr BARNETT - There is a lot of information on that website.

CHAIR - Not the information Mr Gaffney is seeking.

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Mr BARNETT - Each one is different and is assessed in accordance with that particular community group and that particular activity; and the acting CEO has provided some responses.

Mr BROOKSBANK - No, nothing left other than referring to the website.

Mr GAFFNEY - Okay. My point is, how many of the commercial ones were refused? How many of the recreational ones were refused? I would like to see if there is a pattern of why some groups have been refused and some groups weren't? It is not a big deal. I would like to know that, and you should have that information about whether you have granted, refused or cancelled an online application. It does clearly say that we reserve the right to cancel at any time, which is fine. I want to know those who have been accepted, those that have been cancelled. It is not an onerous task.

Mr BARNETT - We don't have that detail now. Hydro Tasmania will try and assist the member and the committee and respond as soon as possible.

Mr GAFFNEY - Thank you. That would be great.

CHAIR - Our Secretary will write to you and confirm that. We need to report before 17 December.

Mr BARNETT - Thank you. I thank the chair and the officers at the table for their support, including Tim Peters for the first time and acting CEO. I also thank the committee for the opportunity.

CHAIR - Thanks, we'll see you after lunch.

The committee suspended from 12.12 p.m. to 1 p.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE A

TasNetworks Pty Ltd

Thursday 2 December 2021

MEMBERS

Hon Nick Duigan MLC
Hon Ruth Forrest MLC (Chair)
Hon Mike Gaffney MLC (Deputy Chair)
Hon Sarah Lovell MLC
Hon Dr Bastian Seidel MLC
Hon Meg Webb MLC

OTHER PARTICIPATING MEMBERS

WITNESSES IN ATTENDANCE

Hon. Guy Barnett MHA, Minister for Energy and Emissions Reduction, Minister for Primary Industries and Water, Minister for Resources, Minister for Trade, and Minister for Veterans Affairs

Mr Roger Gill, Chair, TasNetworks.

Mr Seán McGoldrick, CEO, TasNetworks.

Mr Ross Burridge, General Manager Strategy, Finance and Business Services, TasNetworks.

Ms Bess Clark, General Manager, Marinus Link.

The committee resumed at 12.59 p.m.

CHAIR - Welcome back, minister, for round two with TasNetworks. I invite you to introduce the members of your team at the table and then you may feel like making a very brief introductory statement. We have only two hours and a lot to get through.

I ask members on this side of the table to ask succinct questions where possible and to please have direct and succinct answers from your side.

Mr BARNETT - Thanks very much, Madam Chair. It's a pleasure to be here. I'll firstly introduce Roger Gill, the new chair of TasNetworks and I congratulate Roger on his appointment, and also note he's president of the International Hydropower Association. He has terrific experience and background. Seán McGoldrick is CEO and this is his first time at this table. Ross Burridge, General Manager Strategy, Finance and Business Services, and Bess Clark, CEO of Marinus Link.

It's been another significant year for TasNetworks. They've been doing a diligent and a forward-thinking response to the transition to new and renewable forms of energy generation. As the jurisdictional planner, it's TasNetwork's responsibility to ensure Tasmania's electricity supply remains reliable and affordable. Despite pressure to accommodate such major change, TasNetworks has continued to drive efficiencies and plan Tasmania's future network in ways that place downward pressure on the cost of living for all Tasmanians.

They've again remained focused on customers' needs and I commend them for this. TasNetworks began working with hydrogen production proponents this year and continue to receive increasing inquiries for wind farm connections across Tasmania. Their work with all proponents aims to intelligently connect projects into the power system, minimise the impact on local land owners and the environment and maximise benefits to local communities.

The business has also been progressing the Marinus project and recently awarded contracts for the important marine engineering surveys. Importantly, disruptions caused by the COVID-19 pandemic have not affected the security or reliability of Tasmania's energy supply. TasNetworks successfully adapted its operations without jeopardising the safety of its people and its community but, of course, it has been a challenge and continues to be so.

The safety of TasNetworks' people remains a priority. They've committed to implementing new approaches to health and safety to uplift their maturity in these areas and this continues in terms of the investment in hazard identification training programs and the purchase of 98 new automated defibrillators. They should be commended for that. The new defibrillators will be a great asset to the broader community, as TasNetworks plans to fit them into all heavy fleet vehicles. Their commitment to safety is proven further through their youth education partnerships and electricity safety campaigns.

Their customers are increasingly satisfied with their interactions with TasNetworks' employees. This year, TasNetworks saw a significant reduction in complaints, a number that's been trending downwards over the past four years. At the same time, customer satisfaction measurements have been trending upwards, showing that many customers find TasNetworks helpful and easy to deal with.

Finally, I place on record my thanks, on behalf of the Government, to the retiring TasNetworks chair, Dr Dan Norton. Dr Norton has been a significant contributor to public life in Tasmania over many decades, not just in this role as chair of TasNetworks but across a whole range of government departments, agencies and energy businesses. He's held in very high regard in Tasmania and still is. I know that many around this table would have worked with Dan Norton in the past years and decades, and would have benefitted from his wisdom and wise counsel over that period of time.

We wish him all the best in those future endeavours, and I look forward to continuing to work with him and to seek his counsel and feedback from time to time. Thank you, Madam Chair.

I will pass to our new chairman.

Mr GILL - Thank you, minister, and I appreciate you making comments about our past chairman, Dr Dan Norton. I'm sure the committee has seen Dan's report which looks to the future, some of the very large and challenging issues that we see ahead of us. My comments will be the highlights of the report, and take as read the future opportunities.

Since TasNetworks was established to bring together transmission and distribution in this state, we have seen the benefits in an operating sense. This year we delivered a slightly above expectation profit of \$16.9 million. It's important to look at the profitability of our business over a multi-year period because we get our revenue determination spread across years. Notwithstanding, we were pleased to see this increase and the ability to deliver \$26.7 million in dividends to shareholders for the 18 previous years performance, which resulted in a 1.7 per cent return on equity - slightly above target.

We are very conscious of keeping prices down. Keeping prices down for the community is a balance between that and profitability. That's the balance we work with the shareholder and with the community to understand that low prices are valuable - but so is an effective return on our business.

That means that we've got network distribution charges down by something like 5.2 per cent for most Tasmanians and we think that's a pretty good effort in an environment where prices are being pushed to the upside.

One of the really large projects I'm sure we will talk about this morning is Project Marinus and in June 2021 we released our project assessment conclusions report and wholesale pricing report. There's a lot of information in that with independent data that we think demonstrates that Marinus satisfies the renewal investment test for transmission, that it's technically and economically feasible, and will deliver significant positive net economic benefits to the NEM. I'm sure during the session I can elaborate on why I think unlocking Tasmania's renewable capabilities for the NEM is a very important matter.

We also recognise that we rely on community support for what we do. We want to make sure that the projects that we proceed with are supported by the majority of Tasmanians and we will continue with the consultation. Consultation is the number one issue if you're developing large infrastructure projects that span multiple impacts, particularly on land owners, so consultation is a prime activity of ours which we are doing in both Tasmania and in Victoria.

Equally, we need a committed workforce. We have seen a 67 per cent engagement score with our employees but we're always working to listen to our employees to see how that can continue to grow. Businesses under Seán's leadership will not stop at ensuring that we keep working with a committed workforce to deliver good prices for Tasmania and these big investments that Dan has outlined in the report.

Again, our infrastructure spans lots of the Tasmanian landscape so having a reconciliation action plan launched this year with our Tasmanian Aboriginal community was a really important milestone for stakeholder relationships of ours. I'm pretty proud that our organisation has stepped up to do that.

Environmentally we have had lots of challenges, as any big organisation does that sets up infrastructure, and the threatened bird life question has been on our minds for quite a long time. A significant activity occurred again in the year gone to reduce by some 16 per cent the number of impacts from birds.

Going forward, electric vehicles by 2030 are expected to be a very significant component of our community and delivering for electric vehicles is a network, a grid. I've been saying to the minister that it is actually the decade of the grid. The sorts of things that you've seen described in our report, Looking Forward - the issues that we will be confronting in energy resources, the EVs, that will be a real important thing. Tasmanians ought to be comfortable that you've got a very strong organisation here setting us up well for that future.

We are looking to develop a strategy which will include some 25 per cent of our own fleet as electric vehicles by 2024, leading the way. There's a lot of learning to be done in this for us all.

We have one subsidiary in particular, subsidiary 42-24 - telecommunications, energy, IT services and data services that we've separated off from our businesses as a subsidiary but, of course, with strong oversight from our board in order to get some growth and outcomes in that area.

Finally, as you would have read in the report, Looking Forward to 2030, we're focused on a number of things. Safety which we've had great results in the past. That will continue to be a focus for us not only internally but for the community. Resilience for the changes that are coming up, the ability to stay the course. That's going to be very important. Efficiency - as we see downward pressures on our revenue stream, we will need to respond to that so efficiency will continue to be highly regarded by the board.

The renewable energy discussions are one that we're all aware of and the growth that goes with that will also be discussed today. They were the highlights. I think you've got an organisation in very good shape to tackle those in the future and we look forward to your questions.

CHAIR - Thanks, minister. The opening comments that have been made both by yourself and by Mr Gill, we've been told by the Government that AEMO has indicated that Marinus is critical to the future, and that was referred to by Mr Gill. Is the AEMO role, or that of the Australian Energy Market Commission (AEMC) to investigate and assess the best way forward? Or do they respond to the varying plans of all states and all private operators who

form part of the NEM to try and find a workable solution? I am trying to understand the chicken and egg here.

Mr BARNETT - The AEMC is an independent entity. Its jurisdictional plan, specifically for Victoria, has identified Marinus Link - both 750 megawatt cables, 1500 megawatts in total - as actionable projects as part of their integrated system plan. That is updated every year or two. The next one will have another draft report later this month. We are looking forward to that. What it means when they identify both links, as actionable projects, is that they see that as a key ingredient to the success of the National Electricity Market. We have had further independent advice to say that Marinus Link will deliver downward pressure on electricity prices across the National Electricity Market and we are very pleased with where we are at. It is always hard to predict the future, but we do know that there will be further demand on what is called dispatchable electricity going forward and up to 26 000 megawatts by 2040. Tasmania is in a very good position to provide access to affordable, reliable and clean electricity across Marinus Link and it is going to plan, to date.

CHAIR - I am trying to get the chicken and egg here. Can you point me to any information that would show me that there has been an assessment by AEMO or AEMC which says Marinus was crucial to the nation's infrastructure, before the decision by Government or TasNetworks to push for a second interconnector?

Mr BARNETT - Yes, we can. We can point to the integrated system plan which is released and updated on a regular basis by AEMC, an independent entity that provides that advice -

CHAIR - Which version of that are you referring to?

Mr BARNETT - The most recent version.

CHAIR - No. I am talking about before that. I have looked and read most of that. I am talking about assessment by AEMO or AEMC that said that Marinus was crucial to the nation's infrastructure - before the Government was out there talking about Marinus as an option.

Mr BARNETT - Well, AEMO reviews changes and transitions in the National Electricity Market on an ongoing basis. They provide updates to the market on an ongoing basis.

CHAIR - I understand that.

Mr BARNETT - They have assessed the need for Marinus Link in the past, now and in future reports there will be further assessments of the merit of Marinus Link. To assist the committee, I am more than happy for either the chair or the CEO to assist.

Mr McGOLDRICK - In a moment I will hand you to my colleague, Bess Clark, who is right in the middle of all of this.

From an AEMO point of view, the integrated system plan has been ongoing for a few years and they refresh it regularly. As the minister has said, it is an independent document. How it is constructed is that AEMO works with each of the jurisdictional planners - every jurisdiction in the NEM has an allocated jurisdiction planner. That is TasNetworks for

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Tasmania. AEMO itself is that for Victoria, and then there are various other bodies typically transmission network service providers around the NEM, who work cooperatively with the AEMO staff to come up with the most efficient pathway for the development of the overall power system here on the eastern part.

CHAIR - My question is, can you point me to the document where AEMO indicated that another interconnector was necessary, before the Tasmanian Government or TasNetworks put this forward?

Mr McGOLDRICK - It is TasNetwork's job to indicate this, and we have indicated it as our role as jurisdictional planner on a number of occasions in the past and AEMO has taken that suggestion, studied it and have confirmed that is the correct development path, not just for Tasmania, but for the whole of the power system. Their independent analysis has been published every year, either in a full form every two years or an interstitial form, and for the last number of cycles it has put its money on Marinus.

CHAIR - When was the first edition of that?

Mr BARNETT - Ms Clark is the CEO for Marinus Link.

Ms CLARK - The first ISP was the result of a recommendation of the Finkel Review. Finkel could see Australian was moving quickly to cleaner energy and there needed to be an orderly development of the National Electricity Market, including identification of renewable energy zones, the efficient transmission to connect those to the backbone network and also to interconnect the backbone network. We had been working with AEMO, who is the Victorian planner on Marinus Link, and as part of their first ISP they included Marinus in it. We have been working with AEMO preceding the first ISP, which was a result of the Finkel Review. Dr. John Tumblyn had been working with AEMO prior to that and recognised with a fast-moving market there could well be a need for Marinus, including if there was greater interconnection between South Australia and New South Wales which is also occurring. There has been a long history.

CHAIR - What year was this?

Ms CLARK - The first ISP draft was 2019.

CHAIR - Not that long ago.

Ms CLARK - The first ISP included Marinus because it was recognised Tasmania had fantastic renewable energy sites. It was recognised we had fantastic hydro and pumped hydro resources and we had also been working with AEMO as Victorian planner on early regulatory investment test analysis.

Mr BARNETT - I wonder if the chair could assist the committee?

Mr GILL - I will put my International Hydropower hat on and that organisation represents one third of global hydro power in every region of the world. It is clear that governments across the world are racing to catch up with how they are going to manage in a decarbonised world. Everyone is trying to figure out, how do I store energy so at night time we do not all have major problems?

CHAIR - We will come to that in a minute.

Mr GILL - If you see where Australia is at in relation to the ISP, we spent years without central planning, and thank goodness we got back to a simple view of what is possible for the period ahead so we get an orderly investment. It is quite clear Tasmania's deep storage, as one part of the storage the minister recognised was necessary by 2040, is a key ingredient and as a result, this is on the table and makes great sense.

CHAIR - Following on from that, I want a series of questions seeking to understand the direct revenue benefits from Marinus for TasNetworks. I am not so interested in the costs at the moment because they are easier to find. I want to understand more about the expected revenue. I know there is some information around Marinus Link, it states, 'the proposed interconnector known as Marinus Link is a 1500-megawatt capacity undersea cable'. (tbc)

What will be the TasNetworks' returns to government as a result of this? In the Public Accounts Committee, we spoke to Tony Ferrall about the Fiscal Sustainability Report and he said Treasury had not done any modelling about the direct benefits of Marinus to the general government. Clearly, Treasury has not done any modelling on this or they hadn't when he put out the 2020-21 Fiscal Sustainability Report.

You are smiling, minister, about that. Do you disagree?

Mr BARNETT - I am happy to respond when you have concluded.

CHAIR - I would assume if Treasury has not done that, your department, TasNetworks or someone would have done some modelling on the expected revenues. How will the demand for Marinus services result in Marinus Link making profits, which presumably will find some way back through dividends to the state?

Mr BARNETT - Thank you for the question. The CEO and/or Bess Clark can respond in further detail. At high level, the revenue investment test which is required and essential to pass that test for any major transmission development to proceed in Australia. TasNetworks has met that test. Regarding the revenue investment test referred to by the Chair, I would like either the CEO or perhaps Bess Clark to respond in terms of the revenue benefits that flow and then, of course, through to TasNetworks.

CHAIR - And the modelling that has been done for that.

Mr McGOLDRICK - I want to separate a couple of things here prior to handing over to Bess. TasNetworks will be responsible for developing the on-island AC assets associated with the link, essentially to receive the power on-island or to bring the power to the link. The revenue we get for that is calculated through as a regulated asset. So it's the same as any of the rest of our assets. We have a capital value and we get a return on that capital that's regulated by the AER. That's the revenue that we will get from those assets. That's part and parcel of the overall link.

The overall link also has a subsea connection, hence, HVDC converters and so on. That part is currently being discussed - how that will progress and what sort of a model, whether it would be a regulated model or anything else. That's the subject of some discussion at the

moment. It's not likely that TasNetworks will fully or completely own that; it may be owned by some other party.

If that is a regulated asset, that party will also apply for what's known as a regulated asset base and then will get a return through the regulator. If it's unregulated, it will be a different recovery model - what's commonly called a merchant model. That's for somebody else to determine. As TasNetworks, we will be getting revenue associated with the use of our on-island assets that service that interconnector.

CHAIR - Then if we own the cable, for example?

Mr McGOLDRICK - If it was a regulated model, it would be exactly the same but the asset would have a value that's recognised by the AER, audited and recognised by the AER. It's put into a regulatory asset base and then we get a return for the life of that asset. That's constantly monitored by the AER.

CHAIR - I understand that, yes.

Mr McGOLDRICK - Yes. I will hand over to Bess.

Ms CLARK - I don't have much more to add. We've certainly done the revenue calculations and, as Seán says, for regulated services they're built up from making sure you recover your operating costs, recover the underlying investment and the asset and then get a return on your investment. The rate of return will be a function of the costs of capital at the time which will be a function. We have various scenarios for that which our modelling assesses.

The total revenue is in the order of \$200-odd million a year across the north-west and Marinus Link but the actual cost of capital is a function - I think the present weight is in the order of 5 per cent - of the underlying asset value. As Seán said, it will be a function of the cost of capital set by the national regulator and the underlying asset value.

CHAIR - Sure. Minister, can you please provide that modelling to the committee?

Mr BARNETT - Let's just check in terms of the modelling that the Chair is referring to, if you have access to that or are you referring to the revenue investment test modelling?

Ms CLARK - The regulatory investment test is ultimately an underlying cost model and then in our business case assessment, we have done a revenue model as well so we have both of those.

CHAIR - I'm asking for those, minister.

Mr BARNETT - Are you able - let's just check. Through the CEO?

Ms CLARK - We could source that data. I don't have it to hand.

Mr McGOLDRICK - Obviously we don't have that data. It's quite a complicated piece of work but it is available. I would also point the Chair to the fact that the regulatory investment test and all of the submissions about that are publicly available through the AER.

CHAIR - Yes, I understand that.

Mr McGOLDRICK - That contains a great deal of the work. The detailed modelling behind it is a multi-year model which is quite huge but we could certainly provide a summary of that, part and parcel of what we provided to the AER and their consultants who examined this.

CHAIR - I'm particularly interested in the revenue that we generated on that. I mean, the costs, obviously -

Mr BARNETT - We can assist the committee with the information that the CEO has referred to, to the best of their ability to get that together as soon as possible.

CHAIR - I asked how TasNetworks assessed the likely demand for Marinus and who exactly will use it? How was that assessed?

Mr BARNETT - I think that's best for the CEO and/or the Marinus Link CEO to respond.

Mr McGOLDRICK - Part and parcel of the modelling that occurs through the integrated system plan carried out, not by us, but by AEMO, they look at the utilisation of the assets. They look at generation patterns and in particular they look at the impact that interconnectors, including Marinus, have on the overall price of electricity. That is why it is an integrated system plan.

In doing so, they model that for many years with different generation scenarios, and they have a few scenarios in the integrated system plan, every publication.

During that, it can show directly the impact with Marinus Link and without Marinus Link. When they do those studies, it demonstrates the very positive impact that Marinus Link has on overall pool price throughout the entire NEM. Everywhere from Queensland to South Australia and every jurisdiction in between benefits by lower pool prices - as a result, lower cost in energy. That is the manner in which they decide if it is a good investment for the whole of the power system. That is a summary of it and I would like to hand to Bess for some further details.

Ms CLARK - Further to Seán's response, both AEMO and TasNetworks fully undertook our RIT-T modelling. We consider a whole range of different scenarios for the future, so, where new generation could site, what load outlook there is under different scenarios and we then do what I call sensitivities on top the base scenarios. So, AEMO consulted widely on the scenarios about the evolution of the National Electricity Market. We did modelling and because we have access to, for example, Hydro Tasmania's data in more granular detail, we did our own modelling for our RIT-T. The thing that was really pleasing was that AEMO modelling gave broadly the same outcomes. Really it showed that in all future scenarios and the sensitivities that were modelled, as Seán said, a world with Marinus Link provided greater benefits to the energy market and to energy prices than a world without it. We assessed a full suite of futures effectively.

CHAIR - Minister, Bess mentions that they have access to Hydro Tasmania information. So, were the patterns of imports and exports over Basslink considered as part of that assessment and the process, and over what period?

Mr BARNETT - Thanks for the question, I will have check with either the CEO or -

Mr McGOLDRICK - I will give an initial answer and pass over to Bess. Basslink is a functioning interconnector. It is fully taken into account in the existing models of AEMO and in the integrated system plan. It is fully part of the modelling that is carried out and then the incremental impact of Marinus Link is assessed. So, it is not a question of, it's one or the other, one is there already and it will continue, the other -

CHAIR - You do have access to the imports and exports?

Mr McGOLDRICK - The imports and exports are a matter of record.

CHAIR - They weren't in a previous hearing.

Ms CLARK - The data we are looking at for the RIT-T, you are looking at the cost model and both ourselves and AEMO do a similar model that basically says that for every dispatch interval in the national market what's the lowest cost combination of generation to meet customer load. In that, the model - which needs super computers to run - is assessing all the available generation and transmission that can move the generation, what's the most efficient generation mix for that dispatch interval. So, we use the Hydro data for that and then the wholesale price modelling, which is done by a company called FTI Consulting, is based on what is called 'Bertrand pricing'. Basically this is saying that generators acting rationally will try to cover their marginal costs of generating but bid as high as they can while still being dispatched. It is a model that is using expected bidding behaviour for every generator, not just Hydro, to say which generators will be dispatched and at what price.

CHAIR - The question I had was about the imports and exports of energy by Basslink as an indication of the likely benefit and use. The minister and Bess indicated they had access to some of that data. Do you know the actual value of the imports and exports Hydro have on which to base your own assessments?

Mr BARNETT - If I could pass to the chair to contribute on this question?

CHAIR - I will come back to that question if I might, chair.

Mr GILL - It is a very important question and I will go to it. What we are planning for is a completely new power system in Australia. From 2030 on, we are going to start seeing lots of fossil closing down in Australia. Today's actions are not the ones we are planning for. What we have to set up for, as jurisdictional planners and as AEMO does, is try to figure out what will happen in the 2030s. The fear of course, is there won't be enough dispatchable generation available. The ISP of 2020 says they need up to 19 000 megawatts. Tasmania is 2500 megawatts and 19 000 megawatts of dispatchable energy. Of course, we would ultimately like all that to be renewable and not gas fired.

That is the world we are trying to cater for and it is a pretty new world. The challenge of the super computer discussions we have been having is, how do you put assumptions in that world, not in the world we have today - and is one of the big challenges we have.

CHAIR - I am asking was the information provided by Hydro of benefit in terms of the value of imports and exports? That is a question I am trying to get to the bottom of here.

Mr BARNETT - Thanks for the question. I will pass to the CEO.

Mr McGOLDRICK - We do not consider or model for any individual generator. When we are looking at this we are looking at generation patterns and how the assets would be beneficial overall in terms of making sure the least cost generation gets dispatched and people get the overall lowest power price. As we indicated earlier, when you are forward casting this what you have to do is make a set of assumptions about generation patterns. That is made by AEMO on a rational basis they have consulted on. That will include different categories of generation such as hydro, wind, fossil fuel and so on and they will know the retirement dates, the productivity of these units and then they figure out how a new asset will impact on that ability to dispatch the lowest cost generation to market.

CHAIR - I will come to the future in a minute. Back to my question; was the import and export value over Basslink considered in informing how the modelling has been done, and on what basis the information from Hydro has been used?

Mr McGOLDRICK - The patterns of the past on the interconnector that exists right now, and Hydro patterns, were fully part of the analysis that would have set the scenarios that AEMO decided to run.

CHAIR - Okay, stop there then. Did you actually know the dollar value of the imports and exports that Hydro have been using over Basslink for the last 10 or more years?

Mr McGOLDRICK - This sort of analysis is not concerned necessarily with that dollar value, but the volumes and the dispatch price generally. It is not a matter to do with how much -

CHAIR - The reason I am asking this is because we did not get a clear answer on whether Basslink is actually profitable overall and what level of profit. In terms of, if you are going to put another interconnector in, in spite of all the reasons why you might do that, if we have not proved up one particular one in terms of profitability, how can we be sure we are not repeating the past?

Mr McGOLDRICK - What is proposed currently for Marinus Link is a different type of model than exists for Basslink. It has been developed and is in the integrated system plan as an open-access regulated link, a fundamentally different model. All I can say is the analysis that was carried out with Basslink already in the studies indicated that Marinus Link would have a very important impact on the pool price throughout the NEM. That resulted in lower power prices for everybody and a faster transition to clean energy on the whole. I would like, through the minister, to pass to our CEO for further comment.

Ms CLARK - The models we have from Hydro are really about what capacity is available, generation output and then we use the assumptions AEMO has from its research and analysis that informs the cost. The RIT-T model is a cost model. It is saying what is the efficient dispatch cost of resources in the national electricity market. As Seán said, we are not looking at particular generators and their profitability, but the cost is assumed to be a cost that allows generators to make a reasonable return on their investments. That is our model and a different set of data than I think you are alluding to. It is saying, what is the least cost solution for customers in the national electricity market? Then the pricing model we do is saying, what would you expect a rational generator to bid into the market to be able to get a good return, a

reasonable return on their investments? They are both modelled data based on heavily-consulted data sets.

Dr SEIDEL - A point of clarification, because I may not have understood the CEO of Marinus Link, minister, the modelling is done by FTI Consulting?

Mr BARNETT - Bess, if you could clarify FTI Consulting's project work for Marinus Link?

Ms CLARK - FTI Consulting did the wholesale energy pricing modelling, which is about the energy costs to customers in the national electricity market. Ernst and Young then did the TasNetworks regulatory investment test modelling, which is that whole of national electricity market cost modelling. AEMO has conducted its own modelling and based its inputs on a whole range of other models, for example, from the CSIRO on things like outlook for battery costs, outlook for pumped hydro costs in various jurisdictions et cetera. FTI is the wholesale price modelling.

Dr SEIDEL - FTI Consulting is not listed as a consultancy in the current annual reports, so is the modelling FTI a few years old then or when was the last time you obtained modelling or services from FTI?

Ms CLARK - FTI was treated as a contracted service to Project Marinus and did do work in the last financial year.

Dr SEIDEL - The consultancies listed in the annual report are about \$50 000. The volume of the value for FTI was less than \$50 000 for the last financial year.

Mr BARNETT - I will just pass to the CEO and/or Bess Clark in terms of the FTI consultant.

Mr McGOLDRICK - Sorry, I would like to hand it to Ross Burridge.

Mr BURRIDGE - The differentiations between a consultant as the terms of contract are, the definition being that a consultant advises advice we would not normally employ in the business. We could have hired a number of employees to undertake the FTI modelling, but we contracted that in as a service to actually run the model, rather than take advice on the model. That is the differentiation between a consultant and contractor.

CHAIR - Where does the expense for that then sit?

Ms CLARK - I am just taking that on notice to get the data.

Dr SEIDEL - Again, minister, it is only consultancies listed, what is the rationale then to only list consultancies, rather than contractors in the annual report, considering there would be substantial contractors offering services to TasNetworks?

Mr BARNETT - Thanks for the question, I will pass to the CEO or officers at the table.

Mr McGOLDRICK - Indeed, I would like to pass to Ross, if I could.

PUBLIC

Mr BURRIDGE - I will give you an example, Zinfra, is a contract to us. We use Zinfra extensively to undertake line work and they are not in there because they are providing a contracted service. I am pretty certain the guidelines about annual reports are for consultants, of advice into the business, rather than actually undertaking line work in the business. When I mean line work, I do not mean on the lines, I mean work we could undertake by expanding our workforce. We do not do that, because we do not resource our business up to a peak body because we are not always at peak load in terms of storms et cetera so we use contractors to balance the difference between the base load and the peak load. That is why we have contractors separately.

CHAIR - Based on the peak load not of energy, it is about the work that needs to be done, I assume.

Mr BURRIDGE - I am talking about a major storm or bushfire. To get the power back on, we call on contractors to help us with that.

Mr McGOLDRICK - Contractors are typically, in the sense of a contractor like FTI, a highly-specialised service that we use for a short but intense period of work that we wouldn't have the wherewithal to keep busy or the expertise to train the people.

CHAIR - I am not suggesting that; we are trying to understand where the costs are.

Dr SEIDEL - I am not suggesting that either because this is a specialised service and I would imagine it requires ongoing work and updated work with regards to modelling. The question is, why has it not been listed in the annual report? I understand that you use contractors. The follow up question would be, what is the dollar value that the contract work actually was in the last year? Do you anticipate that contractual work to continue almost indefinitely, knowing that FTI seems to be the main multinational service organisation that offers that modelling?

Mr BARNETT - It quite a comprehensive question. I know there are a number of contractors that are working for TasNetworks so you might want to respond, CEO?

Mr McGOLDRICK - Just to be absolutely clear, FTI are certainly very good in the field and not the only party. At other times, I have used other consultancies and I have also used FTI. They are very good at what they do and in terms of the cost in 2021 we had expenditure of \$524 000 with FTI providing the services of modelling. That is detailed economic modelling that informs our approach to RIT-Ts and also our advocacy for the project.

CHAIR - Going back to 2031, minister, which is where we are looking, it seems almost certain that Marinus Link will be regulated from the comments that have been made. Is that the case? Yes, or a no?

Mr BARNETT - I am happy to respond to the question. A regulated link has many advantages in getting, I won't say a guarantee, but a very clear understanding of the return on the asset base. I think it is fair to say that it is a preferred model. However, there are other models and the CEO has referred to the merchant link and Basslink is a merchant link. We need to take the pros and cons of the various models into account as we discuss and negotiate these matters with the federal government.

PUBLIC

CHAIR - My question is, and I said earlier that it is likely to be a regulated link. Is that the case? Has a decision been made on that?

Mr BARNETT - As I say, it is a preferred model. A decision has not been made finally, no.

CHAIR - We don't know yet then. We will move on to how many employees do you anticipate Marinus will need and how many will be in Tassie?

Mr BARNETT - How many employees will work for Marinus Link? Was that the question?

CHAIR - Now and into the future, yes. What is the expected employment numbers?

Mr BARNETT - In terms of the overall project or benefits to Tasmania. Can you clarify the question?

CHAIR - No, Marinus Link direct, directly related to Marinus Link.

Mr BARNETT - Now?

CHAIR - Now and in the future.

Mr BARNETT - I am getting clarity on the question because there are many jobs that flow from Marinus Link in both Tasmania and Victoria and in the overall benefits for unlocking our renewable energy developments.

CHAIR - I am interested in the Tasmanian jobs.

Mr BARNETT - In terms of Marinus Link, now and into the future, I will pass to the CEO.

Mr McGOLDRICK - We have a number of people working on the development phase of the project at the moment. A project of this nature has many different phases. We are right at the development phase of the project. It will then have to go into construction, commissioning and operations and each one of these phases of a project has different skills sets and different numbers that will be employed. For example, at peak construction we would see that there would be directly and indirectly more than 1400 different jobs here on-island associated with Marinus Link, the project. I will pass to Bess in a moment to say how many people we've actually working directly right now on Marinus Link but that will be a relatively small number.

Similarly, when we're commissioning, there will be a number of very highly skilled but relatively small number of people working on the commissioning. Finally, in the operations, you will again have a core number that will be on-island here and potentially in Victoria that will be running the facility, that will be carrying out not just its operation but its ongoing maintenance and making sure the integrity and safety of the asset is good. That will be, yet again, a different number.

CHAIR - You must have done some modelling on this. This is what I'm asking for.

PUBLIC

Mr McGOLDRICK - Yes. If I could, first of all, hand to Bess to indicate how many people we've currently working on Marinus Link.

Ms CLARK - On the Marinus Link project, we currently have 44 employees and 18 contracted employees who fill organisation chart roles so that's a 62 head count at the moment. We currently have 23 vacancies and about half of those vacancies are in Victoria because we're looking to establish a Victorian presence in Gippsland. However, of that existing employee number, all but about six are based in Tasmania.

CHAIR - Okay. Is it intended that Marinus Link will pay payroll tax in Tasmania for the Tasmanian employees?

Mr McGOLDRICK - Certainly for the current employees who are working in Tasmania, we will be paying payroll tax in Tasmania. In the future, anybody who is working on-island will be paying payroll tax and then, as the operation matures and you have different people employed in different phases of the project, depending on where they're actually working, they will pay the relevant payroll tax in that jurisdiction. I will hand to Ross for clarification on that.

Mr BURRIDGE - I can answer the question quickly, Seán. Depending, of course, on the payroll tax thresholds for liability to pay. If they are domiciled in Tasmania and they meet the thresholds, they will be paying payroll tax.

CHAIR - I imagine if you look at the numbers, if there's 14 000 people being employed on the construction phase, then -

Mr BARNETT - It's 1400.

CHAIR - Sorry, 1400, and they're in Tasmania, you said. There was going to be 1400 in Victoria as well. They won't be paying payroll tax in Tasmania, will they?

Mr BARNETT - What happens in Victoria is obviously relevant to Victoria and whatever the threshold applies in Victoria. Let's just -

CHAIR - But that will go to Victoria.

Mr BARNETT - I will check with the CEO or if Ross would like to explain it.

Mr BURRIDGE - I can't recall the thresholds at the moment off the top of my head but certainly, as we stand right now, we pay payroll tax on the employees that Bess has outlined.

CHAIR - It's going to get bigger.

Mr BURRIDGE - It's going to get bigger.

CHAIR - Yes. How much funding has been received to date to support Marinus and how much of that is state and how much is federal funds?

Mr BARNETT - We're going through the design and approval phase for Marinus Link, as the CEO has indicated. That progresses through to 2024 to financial investment decision.

PUBLIC

Regarding the breakdown of the federal and state funding, we can advise that it's fully funded through the financial investment decision by both the state and federal governments.

We've received the \$56 million payment from the federal government already, for which we're very grateful. The MOU between the two governments acknowledges that. The MOU also acknowledges that the governments will jointly provide a further \$132.9 million; \$39 million from the Tasmanian Government and \$93.9 million from the Australian Government. I will see if the CEO wanted to add to that unless that summarises it clearly.

Mr McGOLDRICK - I have nothing to add, minister.

CHAIR - That's the total funding received to date. It's \$56 million from the Commonwealth initially and \$93.9 million from the Commonwealth since. Correct?

Mr BARNETT - In accordance with the MOU, the Federal Government has paid \$56 million and the governments would jointly provide a further \$132.9 million, \$39 million from the state Government and \$93.9 million from the federal government.

CHAIR - Has any of the \$93.9 million been provided yet?

Mr BARNETT - I will clarify with the CEO.

Mr McGOLDRICK - I'd like to allocate that to Bess please.

Ms CLARK - Can I clarify the question, sorry?

CHAIR - The minister said that \$56 million has been provided from the Commonwealth - we already have that - and then there's an MOU that requires the Commonwealth to provide \$93.9 million. Has that been provided yet, in part or in full?

Ms CLARK - No. To date the project has been funded through the \$56 million grant funding that's been received for the design and approval space.

CHAIR - Okay. When are you expecting to get the \$93.9 million, minister?

Mr BARNETT - As and when required, to meet the terms and conditions of the agreement through to 2024.

CHAIR - Okay. There's none provided yet of that bit?

Mr BARNETT - It's all in accordance with those agreements to ensure that we continue the work through the financial investment decision and there are various decision gates in terms of performance requirements, KPIs, you'd call them.

CHAIR - I'm asking if any of that has already been provided - \$93.9 million?

Mr BARNETT - I think Bess Clark has answered that question. Does she want to add to that?

CHAIR - No, she hasn't.

PUBLIC

Ms CLARK - We have been using the \$56 million from the Commonwealth and the state contribution.

CHAIR - With the \$56 million and the agreed \$93.9 million to come as and when required, is that quarantined from the CGCs assessment of our GST?

Mr BARNETT - That's clearly my understanding and that's confirmed by those officers at the table.

CHAIR - Okay. Any future funding that might be needed, that will also be sought, that it will be quarantined?

Mr BARNETT - Future arrangements will be made as and when at the time and we'll always do what's in Tasmania's best interest.

CHAIR - I want to explain the importance of this question, minister, because if it's not we end up with another Royal Hobart Hospital situation where we have our GST clawed back; and we're having enough trouble with that as it is. We're going to get to a cliff around the same as this is likely to get started. It is a very important question to be sure about, that any future funds that are needed from the Commonwealth are quarantined because it benefits more than Tasmania.

Mr BARNETT - That's right. We appreciate your comments and observations and take them on board. We'll always do what's best for Tasmania.

CHAIR - You don't need to confirm that is quarantined? You're confident it is?

Mr BARNETT - No, that's the advice I've received.

Mr DUIGAN - I have a question on Marinus and the many steps that need to be undertaken to bring this project about. I wonder if the minister might talk to us about the awarding of the marine engineering survey contract for Marinus.

Mr BARNETT - Yes, that's very good news and I alluded to this in my introductory remarks. A 1500-megawatt capacity under sea and underground electricity connection - Tassie to Victoria - 255 kilometres under sea, high voltage, direct current and also 90 kilometres underground cable as well in Victoria.

I'm pleased to advise that the Australian company, MMA Offshore has been awarded that \$5.5 million contract to carry out underwater engineering. Geotechnical surveys are required to refine the cable route. The expert crew of an 87-metre survey ship, *Tek-Ocean Spirit* will be based from Burnie for the duration of the 39-day survey program, with crew from Tasmania, Victoria and Western Australia. The survey will commence in January 2022, next month.

The awarding of this tender is another important step in progressing this vital and important project. The survey will be conducted at approximately 110 sites across the proposed Marinus undersea route between Heybridge in north-west Tasmania and Waratah Bay in South Gippsland, Victoria, at a sea depth of up to 80 metres. The proposed high-voltage, direct current (HVDC) converter station for Marinus Link is at the old Tioxide site at Heybridge on the north-west coast. Local residents will be able to observe this vessel doing survey work

offshore over the summer period. Marinus Link is key to unlocking Tasmania's deep storage and increasing our reliability and the need for dispatchable electricity into the national electricity market, keeping power prices as low as possible and delivering a cleaner planet.

Along with the energy price savings and reduced emissions, Marinus will create 2800 jobs in both Tasmania and Victoria directly, and will attract millions of dollars of new investment in Tasmania, unlocking a pipeline of renewable energy development opportunities for Tasmania. It is an exciting prospect, and I am pleased to provide the committee with an update about that marine engineering survey today.

Mr GAFFNEY - Minister, as you would know, not everybody is in support of every project the Government puts forward, whichever government it is. The recent analysis by Professor Bruce Mountain from the Victorian University in November 2021 raises some issues and there is one paragraph here I would like some of your people to comment on. He said,

Finally, contemporary developments in Victoria since our last report provide confidence that battery storage capacity will be built and operational in Victoria long before Marinus Link and "Battery of the Nation" developments in Tasmania are close to operational. For example, in the 12 months since our report was published, the Victoria Big Battery (300 MW/400 MWh) was announced it would be commissioned soon. Another 300 MW/1400 MWh battery in Victoria has been announced for commissioning at Jeeralang by 2026. In addition to these, since our report was released there are now four more grid-scale batteries with aggregate capacity of 1,150 MW/3500 MWh ...

It goes on -

With the evidence that has come to light in the year since our previous report, we now feel able to conclude that not only does Marinus Link have no chance of completing with battery alternatives but that if Hydro Tasmania develops pumped hydro capacity in Tasmania it is very likely that, like Snowy 2.0, it will not be viable not least because it will be rarely used.

The professor from the Victorian Energy Policy Centre has come up with this report saying they don't believe that Marinus is going to do what it is supposed to do. On this side of the table and for Tasmania, we have to say that TasNetworks gets a couple of mentions on this report. Do you have a response, or is there going to be a larger response from TasNetworks, about some of the issues that Professor Mountain and the Victorian Energy Policy Centre have raised? I think it is really important.

Mr BARNETT - Thanks for the question. It is excellent to have the opportunity to respond yet again to Professor Mountain and his criticisms of the Marinus Link project because they have been on the record for many years, and more recently as you have indicated. The view of the Government is that there will be a need for both, going forward. I have mentioned the need for up to 26 000 megawatts of dispatchable energy in the future; so yes, pumped hydro and Tasmania as a Battery of the Nation is in a pivotable position to provide that support; and of course, Snowy 2.0 and batteries. There will be a need for batteries. There will be a need for deep storage, which Tasmania can deliver on. The CEO and chair can elucidate in more detail

but one, two hours or even more of that deep storage - for 12 hours, 24 hours. Tasmania has what the rest of the nation needs and desires and we can meet that need going forward.

I will pass to the chair and the CEO to respond to those criticisms, which are quite familiar to the Government and to TasNetworks.

Mr GILL - I guess everybody in the world is grappling with how they will cope with 2030 plus? How do they cope with a world without readily despatchable energy from fossil fuels. Batteries will play an important role, there is absolutely no doubt. At the household level they will play an important role, in the goods scale they will play an important role. We have discussed 300 megawatt batteries, 100 megawatt batteries, but there are three phases of storage we think we are going to need post 2030.

Shallow storage - and these are words coming out of the inroads system report but it is pretty well globally viewed that shallow storage batteries are absolutely a very sensible solution. Then you get medium storage - 6 hours, 8 hours. This is where the pump storage starts to play its value. We have it in Tasmania, but you will also have it across the rest of Australia. Then you get to this issue of deep storage. It is the most difficult one to provide. If you want a week of energy you want to provide because it is not blowing or sunny, what are you going to do?

Luckily, Australia was endowed with a twentieth century asset - Snowy - and the big storages here in Hydro Tasmania. Of the whole shape of energy the minister suggested we need, Snowy and Tasmania can probably provide three and a half to four gigawatts of that, up to 20 gigawatts that's going to be necessary. That is the deep storage capacity. Batteries will pay a great front end in the one hour, two hours, but would you want to sail into 2030 without the ability to go beyond one day to back-up your system? That is what the AEMO team has been grappling with.

It is what people are grappling with in just about every country in the world at the moment. We are taking advantage of an asset built in the twentieth century that will not be something you would build again to get a week's storage; the economics of that would not stack up very well in batteries. Who is going to have enough batteries to get you through a week; they will be early discharged in the system because people will just use them. Whereas you can see big reservoirs and you can put controls around how they are used - kept for a cloudy or windless day.

We can look at detailed economics and detailed modelling, but modelling is only as good as the way you think about the problem. Many different people have different views around models. This gentleman has one view of the model; AEMO have another view of the model; but our judgment is batteries plus deep storage and pump storage is going to be the way of the future.

Mr GAFFNEY - Thank you.

Mr BARNETT - The independent assessor, AEMO, sees Marinus Link as integral to the future of the national electricity market. It is an actionable project, both cables, not just our word; it is the independent assessor and also others' assessments.

Mr McGOLDRICK - To emphasise, it is not a question of either/or; we need both and 'we' being all Australia needs both. I would like to emphasise Marinus Link is an interconnector and agnostic. It does not matter whether it is wind or hydro coming or batteries discharging, that is exchanging, its purpose is to interconnect to make sure the power will be at that portion of the system where it is needed. That is sometimes forgotten. It seemed to be useful for one technology or another.

It is agnostic in terms of technology. It is required to keep the whole show on the road in terms of the power system. Certainly, it is a very narrow analysis the Victorian Policy Institute has taken on board. We need all of these new technologies and technologies we do not even envisage will be arriving when Marinus Link is still a reality. We are putting an asset in the ground and under the sea that is going to be there for 60, 70 years. There will be new waves of technology and it will be equally useable for those technologies, as it will be for deep storage, batteries or wind energy.

CHAIR - To follow on with the battery question, how does TasNetworks view the reported termination by AEMC will impact on the operators of storage in the NEM - batteries, pumped hydro, et cetera the likely benefit of operators for transmission facilities? There is a Renew Economy paper by Giles Parkinson also reported in the *Guardian*, just to read briefly from that:

... Australia is anxiously awaiting the next decision by the market rule-maker, with fears that the imposition of new network fees could effectively kill the market for big batteries and pumped hydro storage projects.

Which obviously will be a concern here minister.

The final ruling to be made by the Australian Energy Market Commission this week is part of a package of new and revised rules that were first unveiled back in July, mostly to clarify how battery storage units are classified in the grid, and their role when combined with wind and solar facilities.

I understand there is going to be potentially a charge for charging and discharging, a network charge, if you like. There have been a lot of people come out opposing this. I also understand from my research in this area, the coal fired generators are looking at putting in significant battery storage to try and maximise their returns, knowing at the middle of the day is likely to be a negative price in the NEM. Night time is probably going to be a higher price. What is your view if they are trying to transition, remove their bit of their risk from relying on coal generation, to put batteries in? Then this is whacked on.

Mr BARNETT - Thanks very much for the question and the opportunity to respond. The views that are clear from the state Government are consistent with those of TasNetworks, which are consistent with those of AEMO, which is the independent entity and jurisdictional planner on the mainland. With the regular reviews of the integrated system plan, which puts Marinus Link front and centre when it comes to the future of the National Electricity Market, everybody accepts that fossil fuels are declining in their use and the rate of that decline appears to be increasing, rather than decreasing. In addition, not only are those views strongly held at our level, but also Infrastructure Australia have identified Marinus Link as a priority project. It has been identified as a priority infrastructure project by the federal government.

CHAIR - I just want to talk about that decision that is contested.

Mr BARNETT - I wanted to give some context on the views, not just one of two people. Whatever you do at any time with respect to any project, there will always be critics, but we have a lot of support and I am indicating the level of support at a federal level, Infrastructure Australia, Prime Minister, Minister for Energy and like.

Mr McGOLDRICK - Thank you, minister. First of all, as a network service provider I welcome anybody who, in a regulatory sense, indicates I should get paid a fee for traffic on my network, because after all that is how we recover our costs. This is a regulatory decision some time in the making. It is a very considered decision by the AMC. Nonetheless, perceptive journalists like Giles Parkinson will, you know, pull up the corners of this and it is a controversial decision. There is no doubt about it. Essentially, there is only one way to go with this, you either do it or you do not do it. The regulator has taken on board various submissions and they have made a decision in that regard and we will cope with that and will adjust.

CHAIR - They have or they have not, did you say?

Mr McGOLDRICK - I believe they have made a decision. With respect to coal fire power stations and those so-called brown field sites, using batteries is an intelligent use of an existing asset -

CHAIR - No, I am not disputing that.

Mr McGOLDRICK - and a connection already there and going to be part and parcel of how technology changes morph over the coming years, as we all cope with a tsunami of renewable energy. Essentially, this is a regulatory decision that needed to be made and we will take it into account.

CHAIR - What is the decision that has been made? To implement it or not? I am not clear on this.

Mr McGOLDRICK - To implement it, as I understand it.

Ms CLARK - Yes, so, they have issued a final report which has considered the issue, and they have said:

The analysis and recommendations in the final report should be helpful to policy makers and market participants as the energy storage sector develops
(tbc)

My understanding is they issued a final report that will inform future advice.

CHAIR - If you read further through this article it says:

The technology needs market volatility but its returns will be eaten away by the imposition of these new network fees.

PUBLIC

This was acknowledged by AEMO, which says there should be a "clear exemption" for storage devices on load - when they charge or pump.

So this is going to impact on the financial viability of Battery of the Nation, isn't it?

Mr BARNETT - Well I think the CEO has responded -

CHAIR - No, no, I'm asking you minister, he's not doing Battery of the Nation, you are and Hydro, but this decision will have a negative financial impact on Battery of the Nation?

Mr BARNETT - As I've said earlier, we have plans for Marinus Link, Battery of the Nation and renewable hydrogen. We're backing that in and the CEO has made a view, expressed a view, which I'm referring to -

CHAIR - As a network operator -

Mr BARNETT - which needs to be taken into account and we will take it into account. That's why we've got these people at the table to advise the Government accordingly.

CHAIR - So, you don't have a view on the impact on this new charge on projects like Battery of the Nation and other storage that we might build on-island, acknowledging that Victoria is building a lot at the moment, battery storage?

Mr BARNETT - In Victoria?

CHAIR - I said they are doing it. I said we may build storage on this island too, I don't know, but in terms of what the implication will have for Tasmania -

Mr BARNETT - Well plans for Battery of the Nation relate to Hydro Tasmania, but I'm happy to answer the question. Lake Cethana has been identified as the preferred site -

CHAIR - No, I'm interested in the fee.

Mr BARNETT - Well there's more work to be done. Hydro Tasmania, you could have asked them earlier, but if they were here they would say there is more to be done -

CHAIR - It was on the list. I'll put it on the list for later.

Mr BARNETT - For sure, but we're taking into account all of those decisions that have been made and there's a lot of transition going on across the National Electricity Market. We'll take all of that into account and we'll continue to do so. We have to adapt, as there is quick and lots of movement in the National Electricity Market -

CHAIR - Thanks minister, I'll go to Sarah with the next question, thank you. We're off the question.

Ms LOVELL - Minister, I'd like to move onto a separate matter now, you'd be aware that the CEPU conducted a survey recently of some of their members and workers of TasNetworks about mental health. More than 70 per cent of the respondents to that survey revealed that their mental health had declined since they'd begun working for the company.

More than 65 per cent of respondents said their mental health is impacting their ability to work and over 65 per cent said they would not feel comfortable disclosing a mental health issue to the company. These results are clearly quite concerning. So, my first question is whether those results came as a surprise to you, or to the company, or whether those types of issues had been raised before this survey had been conducted?

Mr BARNETT - Thanks for the question. Certainly as a government we take these matters very seriously. We take that into account. A range of surveys have been undertaken by TasNetworks and I referred to at least some of those with the improved shifts in culture and engagement since that first survey in 2014. Over that seven-year period there's been significant positive shift in the two constructive styles of achievement and self-actualising, as I am advised, in culture and engagement. Certainly, there is a more constructive culture now than when it was commenced in 2014.

Ms LOVELL - Sorry, minister, if I may just interrupt you. This survey was conducted in September this year, or the results were published in September this year. So that's the survey -

Mr BARNETT - I'm painting the context. I appreciate the question, that's why I'm painting the context since 2014. There were a range of surveys undertaken then through to 2021. You're referring to the more recent one. There has been a transition and there has been a change and I'll ask the CEO to respond in detail.

Mr McGOLDRICK - Thank you, minister. I certainly appreciate the CEPU sharing that information with the company. It was a survey of some 160 of their members in TasNetworks. Subsequent to that survey and the sharing I had a face-to-face meeting with the CEPU, among other unions, on this topic. It's one that we share concern on. It's not that we are in any way opposed to it. I'd say that we carry out surveys and we have certain findings and they are not misaligned with the findings we see in the CEPU. Maybe the emphasis is a little different and perhaps people will share a little bit more freely in the CEPU survey than they will in the TasNetwork survey.

So, we take all of these things into account. After that sharing of information and a joint concern, we have held listening sessions throughout the state to learn more from team members in relation to what is in those surveys. Further to that, we have met network key union officials, and the relationship remains constructive. It is something we are jointly working on. I might say that people in TasNetworks have been working incredibly hard and under quite trying circumstances, given the impact of COVID-19 and the various lockdowns but also the impact that has on the supply chain and indeed their families and all the jurisdictions here in Australia.

Everybody has been working under a lot of pressure so we have been attempting to find a way to alleviate that pressure, to respect the workforce and thank them for what they have achieved in these difficult times. I am incredibly proud of what I see here in TasNetworks and what they have done, but it does sometimes come at a cost. It is about recognising that, making sure we have the right fatigue management, we have the right EAP services in place for people who may be going through a tough time. This is something that we find good alignment with, particularly with the CEPU, and I thank them for raising this and doing so in such a constructive manner as well.

Ms LOVELL - Thank you. Minister, I have heard the CEO talk about some listening sessions that have taken place in the EAP and a couple of other measures. Specifically, what other steps have been taken to address some of these concerns that were raised through this survey?

Mr BARNETT - Thanks very much for the question. As a government, we take it very seriously. The mental health and wellbeing of all our employees across the government is important, particularly at TasNetworks. The CEO has responded in part to that and I will just see if the CEO can add to that earlier answer.

Mr McGOLDRICK - This is going to be a continual focus of us as a business. It is not something you can just pick up and let go, you have to be consistent about this. We are very determined to make sure that we have the right channels available to people, both through their managers and the managers' managers but also to their fellow colleagues so they can share problems and we can get to the root of trying to solve some of these issues.

It is going to take a lot of time and effort and we are very committed to that as a management team to make sure that that happens.

CHAIR - Minister, the Auditor-General mentioned TasNetworks on page 44 of this report. TasNetworks was looking at a potential breach of its lending governance. TasNetworks negotiated to address that, and it appears from the Auditor-General's note, that TasNetworks were lamenting the lack of inflation which affects the assets value of its regulated asset base. It seems to suggest that TasNetworks borrows as much as it can, depending on the security value of its assets. That is determined by the AER.

So, if TasNetworks needs to borrow to undertake any further capital investment or upgrades, particular like a north-west line or anything to do with Marinus or anything else, how's that going to go? If we look at the debt to equity ratio or the gearing ratio, the target is less than 66.7 and it is actually 66.6, so just got a tick on that. Just interested in how you are going to manage the debt?

Mr BARNETT - As the chair indicated in his opening remarks, we had a very good, strong, positive financial performance in this financial year that we are discussing today, above budget. For the detail of the question, I will pass to the CEO.

Mr McGOLDRICK - I will, in turn, pass to Ross Burridge in a moment but just first of all to say that I am very comfortable with our debt to equity ratio where it is. We are not very heavily geared as a utility. We have great assets and we have a very steady stream of income. We are a regulated business. It is very manageable in that regard. To the specifics of the debt governance and the ratio, I will hand over to Ross.

Mr BURRIDGE - It is important to know we borrow through the Tasmanian Public Finance Corporation and we are the biggest borrower for TASCORP. We have a very close working relationship with TASCORP because we need them and they need us, because they are going to the market with new placements. We can help them provide volume around their market placements which assists them greatly in being able to tap the market for new debt.

Given the strength in that relationship, you have mentioned the gearing ratio piece, that was a point in time measure we used to have with TASCORP. Every year we provide

TASCORP with our corporate plan and we ask them to assess us on a credit basis and assess a level of debt we can cover. You can see in the report there we have a head room now of \$150 million, because they have set a cap at \$2.2 billion for us. That has been in consultation with us because the point in time measure did not work because we had a whole year of cycle of cash flows. We would have times when our cash would be paid out more than we were receiving. The example being the 31 December each year we pay our dividends out. We are paying the dividend out half way through a year when we have another six months of cash still to collect. The timing was not working with us, we did not breach it and went to TASCORP.

CHAIR - You used borrowings to pay that at that point?

Mr BURRIDGE - We would declare a dividend and it is paid in arrears. We have already got the cash but we do not hold cash in investment, because we are better off just paying our debt down. In terms of a cost to debt basis you will get more from having less debt than we will from having money in the bank. We try and run a zero cash balance and just top up our daily cash for our working capital borrowing through TASCORP. It is the most economic and sensible way to do it.

We have already got the money we are paying the dividend out, but when it comes to the dividend we redraw the cash we have paid off the debt and repay our dividends and other obligations around that time because it was an off cycle in our cash flows and paying a full cash flow for a previous year with only half the year's cash flow coming in to December, that gearing ratio is getting tight. Rather than breach it, we went to TASCORP and said, this timing is having a concern for us, yes, we had the problem with the inflation on assets last year. Because the CPI was so low given the impact of COVID-19 we were in a bit of a squeeze, but we did not breach it. We went to TASCORP and said, let us work at a proactive solution to this problem. We are a good credit to TASCORP. They will lend to us.

CHAIR - You are the best customer.

Mr BURRIDGE - We are, we are a regulated business. That is our regulated debt, if we have an unregulated investment and we do have from time to time, like the Granville Harbour connection on the west coast of Tasmania which is about \$30 million. We will take that business case our board signs off and say to TASCORP, this is our business case which has a return on it, can you add that to the debt count, and they will. They will take the business case, assess that and make an addition to our debt.

The success of a TASCORP relationship is our good interaction we have. Yes, we are a regulated business, we are a very good credit risk.

CHAIR - I am not suggesting that it is a problem. I am saying it is pretty close to the line there and if you need to borrow more than you might have to go and talk to your good friends at TASCORP again.

Mr BURRIDGE - That is our target, now we have that debt capped we can borrow up to \$2.2 billion.

Mr BARNETT - The chair might assist in an additional comment.

Mr GILL - When the board looks at the suite of risks, probably one well down the pack is the refinancing list because we are so well supported in Tasmania by TASCORP. If we were going out every year to refinance through the banking sector, this would be a major issue. Secondly, sitting at somewhere about in the 60s for your debt position is prudent because we have seen interest periods which have been much more concerning. Right now, this is a comfortable position for the organisation to be in especially when it has got such strong revenue flows. We have a suite running out for five years ahead of us. Those levers are pretty solid and firm, yes.

CHAIR - I will come to your other risks later.

Mr GILL - Pumping up a specific number is a question, but if you had 70 per cent debt equity profile that still would be a pretty strong business. The ability to keep us monitoring it carefully is wise, so we have a level at 66, but the overall risk profile.

CHAIR - 66.7.

Mr GILL - Yes, the overall position of the business from a financing point of view is solid.

Ms LOVELL - Minister, I have some questions about meter replacements and in particular I understand there are some 20 000 boards around the state containing asbestos. We have had some concerns raised with the committee about those boards and work being undertaken on them. What steps have been taken to ensure contractors are undertaking that work safely and households are not put at risk in that process?

Mr BARNETT - Thanks for the question. As the chair indicated in his opening remarks, safety in the workplace is a top priority and that is the case, but on an operational matter I will refer to the CEO.

Mr GILL - This is a worldwide problem. Everywhere is replacing meters. Like many jurisdictions, asbestos-infused material was used for its fire-retardant purposes on meter boards. As a material it is fine unless you disturb it, unless it breaks, unless you start screwing into it, then it becomes a dangerous material. We are keen to make sure contractors working on our behalf, working with Tas Metering who we work with in this regard, are dealing with this prudently. We are putting in place a new contract with Tas Metering where any of these boards to be replaced are not to be interfered with in terms of loosening screws or screw and cap and foam, any of those work methods. The boards are to be entirely replaced, removed entirely, disposed of prudently in the interim, until Tas Metering gets its own disposal licences through our disposal licence. We have an asbestos disposal licence and put those provisions in place. There is no longer an individual screwing by contractors working on our behalf through this new contract. It is a much better way to do things. It is possibly a bit more interfering for a householder, but safer overall and best practice. That is what we are going to do. That new contract will be in place in the coming months. Up until then I have put interim arrangements in place where directly right now all work has ceased with respect to cup and form or glue and screw as it is called and we are now actively replacing individual boards with new material not in any way infused with asbestos.

Ms LOVELL - Can I confirm that instruction has been given to contractors now?

Mr GILL - Yes, it has.

CHAIR - I want to come back to the question of risk for TasNetworks. We have discussed the financial risk aspect. Regarding the security of the network and how you assess the risk of that with particularly, things like bushfire and the need to replace all sorts of things that can be damaged by bushfires that belong to TasNetwork. Can you talk to me about that risk, how you manage it, how the insurance works on that and what is the risk appetite?

Mr BARNETT - Thank you. I know there are some very focused members around this table that can speak to risk and insurance and related matters.

Mr McGOLDRICK - In a moment I will hand to my colleague, Ross, on insurance matters but from a practical operational point of view, bushfire mitigation is our number one risk. We would be impacted heavily by a bushfire with our assets being destroyed in certain areas as happened in the past. We work hard to make sure our assets do not cause a bushfire. To show you the level of concentration on this from an operational point of view, every year in the lead up to bushfire season we have a program of vegetation management to remove high-risk vegetation in areas where, if a fire were to occur, it would be very impactful. We also examine our assets, tackle any defects, and are retrofitting new equipment on lines where we believe there would be higher risk.

We carry out a full suite analysis from a vegetation point of view and an asset point of view about where the risks are, and then every year we've a bushfire mitigation approach. Last week I was out around the Sorell and Richmond area examining the work that has been carried out for this bushfire season.

There's a tremendous operational concentration not just through contractors that we employ to remove vegetation - and we spend millions and millions of dollars every year just to do that - but also on the asset side, to make sure our asset is in really good condition so that we're less likely to cause a bushfire.

From an insurance and modelling point of view, there's a tremendous amount of work in that area too and I will hand over to Ross to give some details of that.

Mr BURRIDGE - Apart from the traditional business insurances like workers compensation, et cetera, TasNetworks has two main insurance policies - our property cover and our liability cover. Property cover is for damage to our assets; we don't insure poles and wires. In fact, there's only one entity in Australia - Powerlink, with some of their transmission lines - that insures poles and wires.

CHAIR - Including your big high voltage transmission lines? They're not covered?

Mr BURRIDGE - Yes. In 1996 there was an event in Montreal called the Montreal Ice Storm which took out 26 kilometres of transmission lines. That killed the market for insurance of power infrastructure. However, in my history in both Hydro and TasNetworks I've only ever known a major outage on a transmission line once, and that was in the north-west when a tower was pulled over by a farmer's plough; and we had that up and going in eight hours.

CHAIR - Do you still like to tell the tale of that person?

Mr BURRIDGE - Apparently, yes. It's just not justifiable in its costs; but to mitigate that, we have several ways of switching the network around and we have lots of spares. If a big transmission line does go down we can jury rig that up to get that going again, just by using wooden poles, et cetera, and then have the -

CHAIR - I suppose it's essentially a self-insurance arrangement on the poles and wires.

Mr BURRIDGE - On the property but our big substations, like Creek Road and Lindisfarne and Waddamana, they're all insured. The insured value is \$220 million. We insure that, and we insure that roughly fifty-fifty between London and Australia; purely on a capacity sense. Our big policy is our liability policy, which is our infrastructure causing a bushfire that then causes damage to others.

Traditionally, we've bought \$750 million worth of cover. This year it expires on 30 September. We bought \$550 million, because the price above that was not economic to justify. The bushfire modelling that Seán talked about, the cost of the premium was way greater than the economic cost of taking that exposure.

Happily, though, most entities around Australia have also reduced their insurance cover just because of availability. Liability, or insurance generally, get their income from two main streams - insurance premiums and investment income. With interest rates so low, there's no investment income and there have been some major wildfires around the world, and in Australia too, which have caused considerable claims.

We've insured for \$550 million. We're fully insured at \$550 million, unlike some other entities, other peers of ours. Our other peers have been looking at increases in their premium of 25 to 30 per cent. This year we renewed it at four per cent increase. We had an outstanding renewal -

CHAIR - What's the cost of the insurance? You talked about that level of insurance you've got.

Mr BURRIDGE - About \$4 million in total for all those policies.

Mr DUIGAN - I'm interested in TasNetworks and the role it has to play in electric cars, making electric cars easier. A lot of people talk about it, a lot of people are interested, a lot of people would take the plunge; but I guess an electric car is only as good as the network you've got to charge it on. I understand there are private providers that would provide charging but what role does TasNetworks have to play?

CHAIR - To use our network.

Mr DUIGAN - Yes. Is there a role?

Mr BARNETT - I know the chair touched on it in the opening remarks; and of course, in responding to climate change and with Tasmania leading with our zero net emission target in five or six of the last seven years, and then our target legislated through to 2030 - the plan that has been recently introduced into parliament. From 1 July 2021, the parliament approved changes to the Duties Act 2001, meaning Tasmanians pay no stamp duty when they purchase

an electric vehicle. It reduces the purchase cost of an electric vehicle by around \$2000 on average, helping more Tasmanians to switch to that renewable energy powered vehicle.

In the future, more Tasmanians will return home in the evening and expect to plug in their vehicles for charging. TasNetworks has a plan and I'm pleased to advise they're already accounting for this and are assuming there will be more electric vehicles, as the chair indicated. It's Government policy that by 2030, Government cars will be electric; and there's an assumption that electric vehicles will be roughly a quarter of the global vehicle sales by 2030. They're working on that assumption. Tasmania is ideally suited to benefit from the transition to electric vehicles with our clean, low-cost and reliable renewable energy.

TasNetworks is developing an electric vehicle strategy, as the CEO indicated in the opening remarks. It's prepared the energy network and is committing to increase these in its own light fleet by 25 per cent, by 2024; so, moving quite swiftly in that regard over coming years. TasNetworks are running trials, along with other industry stakeholders, to maximise the efficiency of their current infrastructure by investigating smart solutions. Their preparations have already begun, so that Tasmanians can have confidence to invest in electric vehicles and be supported by our clean energy network. I note, in passing, that Aurora Energy is also very supportive of this approach and are very proactive as well.

CHAIR - To follow-up about the network upgrades that might be needed, this is something that I raised probably 10 years ago with TasNetworks who seemed to think it was a long way off. It probably wasn't even 10 years ago. What I heard then, and I have continued to hear it in recent years, is that the network is not able to cope with all this draw down when you get home from work, and with the majority of people getting home at similar times. Is that still the assessment of TasNetworks of the network and what will need to happen?

Mr BARNETT - That's best answered by the CEO, but as a Government we are absolutely rolling out our fast charge stations and investing significantly in those fast charge stations around the state.

CHAIR - I'm talking about the strength of the network?

Mr BARNETT - Fast charge stations fit in neatly with the network. Regarding the network, the CEO would best be able to respond to that question.

Mr McGOLDRICK - We have an annual planning report which we publish, it's part of our obligation as jurisdictional planner for Tasmania in the NEM. It looks 10 years ahead and we include all sorts of things on our transmission and distribution networks and electric vehicles (EVs) are certainly one of the things that of significant interest to us.

The existing distribution network is coping well, but just as we've spent an appropriate amount of time today talking about the larger end of the network in Marinus Link, and other developments and what a revolution that's going on there with renewable energy, there is an equally compelling revolution going on at the distribution end. EV is one of those things, but also the penetration of photovoltaic and other technologies; batteries at a community level, and batteries at a household level. Our whole network, over the coming years, will need to be reinvested and reimagined and that's something that we fully take into account in our annual planning report. Previously, distribution networks were a sit and forget, dumb, one-way network. Now they are two-way flow networks, and EV are just one of those things that we're

having to cope with. We are certainly looking forward to prudently investing in that network or cooperating in trials on this matter, specifically on EVs with a range of different network service providers throughout Australia. We are working cooperatively with regulators about how it is best to invest, when do you invest and what do you invest in on this new network that is developing.

One of the things that I see happening, particularly in urban settings in coming years, in various different suburbs, is many families will transition to having at least one EV, and that will be charging at home. For a variety of reasons, we're also including safety, reliability and contemplating undergrounding some of the urban networks that aren't currently undergrounded. That will give us an extra capacity lift when we do that because you may as well put in one size cable as a bigger size cable as the core incremental costs are very little.

When we look at undergrounding, we look at taking into account futureproofing that network for EVs because they are coming.

CHAIR - Are there any particular areas of the network that are more urgent than others in getting them to a point that they need to have upgrades sooner rather than later in this area?

Mr McGOLDRICK - No, we do not have a concern at the moment with respect to EVs. There are some parts of our network that are underperforming, but they are more in rural areas that are afflicted by storms and poor weather generally. I worry more about those than networks associated with EVs.

CHAIR - Can I talk about wind farm connections, particularly the proposed wind farms in Circular Head for Robbins Island and Western Plains. This question is for you, minister. I understand that New South Wales has recently legislated for a model where the proponent is required to put a much greater overlay to consider social licence, visual impact and other aspects. You have talked about your renewable energy zone but that doesn't go anywhere near what New South Wales has done. Are you considering something like that to inform the renewable energy rollout?

Mr BARNETT - Thanks very much for the question. It's a good one. We have released the renewable energy coordination framework draft some time ago. A lot of work has been put into finalisation of the framework for the future and that is based on feedback from the community, from key stakeholders, not just in Circular Head but around the state.

The new agency Renewables, Climate and Future Industries Tasmania (ReCFIT), headed by Anton Voss, which is based on a decision by the Premier and myself at budget time, looks at this across the community and across governments. The agency is carefully assessing the terms and conditions for that framework and that will guide the rollout of wind energy and other renewable energy developments across the state.

CHAIR - Are you considering legislation like New South Wales has brought in just recently? A Liberal government up there too.

Mr BARNETT - Yes, we are looking at all of the options around Australia. The New South Wales reforms in recent weeks, and we want to do something that is best for Tasmania. TasNetworks actually has good advice and experience in this regard which has been made available to ReCFIT and to the Government. We appreciate that and we will take that on board

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in terms of our renewable energy zones. We are blessed in Tasmania, as I mentioned earlier, natural assets of access to water and wind. World-class wind and water resources, Roaring Forties, so, yes, all those matters will be taken into account and further decisions will be made about that in the not too distant future.

CHAIR - In regard to legislative change, potentially?

Mr BARNETT - In regard to the framework for the future.

CHAIR - Are you considering legislative change along the lines of what New South Wales has done?

Mr BARNETT - We will be considering what is best for the state and whether that's via legislation, regulation or via a framework which will be made available, that has not been decided.

CHAIR - Do you think social licence is an important thing in any new project, whether it be the north-west transmission line area, Robbins Island and Western Plains wind farms?

Mr BARNETT - Thanks for the question. I have been consistent about this as minister for Energy and Emissions Reduction and on behalf of the Government, that community engagement is a priority. Engaging with the local community, consulting with them and I have put this not just in writing but directly to all the major renewable energy proponents including the wind energy proponents. They know that this Government has that as a top priority. Getting feedback from the local community is very important.

Ms WEBB - A quick follow-up on the Renewable Energy Coordination Framework, given that it was consulted on quite some time back, I think consultation closed back on 3 March, what is the time line for that to be finalised and then released?

Mr BARNETT - As I say, the not too distant future.

Ms WEBB - Is that one month or three months or six months?

Mr BARNETT - I am not going to put a date on it. That is why I have advised that a lot of time and thought has been put into this. We have received that feedback. We are continuing to get feedback, taking into account what happens in other jurisdictions, as the Chair has indicated. We have to do what is right for Tasmania with our three renewable energy zones.

I should emphasise as I touched on in my opening remarks, the Bass Strait is likewise now deemed as a high prospectivity area for wind energy. That is not just my say so, it is an independent report released in recent months. I draw that to your attention, and the Blue Economy CRC has a specific role to play in that regard. They are looking at marine farming and marine engineering and renewable energy offshore, which specifically relates to wind energy in particular, not to mention renewable hydrogen and the use of it offshore. That should all be noted.

Ms WEBB - Are there any particular milestones or notable dates that you need to have this framework completed by or that you are waiting for in order to complete it?

Mr BARNETT - I don't think there is any particular milestone that we are waiting for.

Ms WEBB - No particular date that you have to have it done by in order to inform a particular next step?

Mr BARNETT - No. On behalf of the Government and renewable energy proponents, we are wanting to make that available as soon possible. It is very much under active consideration at the moment.

CHAIR - Going back to the Western Plains proposal at the moment and TasNetworks' role in that in terms of what work is likely to be undertaken by TasNetworks, this has been quite a contentious project in view of the proximity to Stanley township and to the Nut itself, and other historic sites like Highfield. We know that Epuron, the proponent, has a history of getting DAs through, on-selling them and then the actual plan for the particular turbine numbers or size is changed and the community has no consultation about that.

You can understand the community's concern around that. I would hope, minister.

I understand some of the contracts proposed to landholders over whose land the transmission line would need to go, has TasNetworks named in that almost as a proponent. I understand that TasNetworks can be the contractor that builds the line; they can potentially own it. I am trying to get some clarity about this as to what is TasNetworks' role in this, particularly in view of the great concern in the community, not about renewable energy, but certainly about this particular wind farm?

Mr BARNETT - Thank you for the question and I will ask the CEO to respond.

Mr McGOLDRICK - First of all I can say that as Tasmania's transmission network service provider, we have an obligation to work with all developers seeking to connect to our backbone network. That is our so-called regulated business. They will arrive at our doorstep and require connection to our backbone network. Under the national electricity rules, we have certain standards and we have a process and we are obliged to connect if everybody meets those standards and follows through on the process.

With respect to the Western Plains, we remain in discussion with Epuron about progressing the regulated connection to the transmission network, as we are obliged to do. Epuron has also expressed an interest in engaging TasNetworks to build, own and operate their cable but no agreement has been reached at this stage. I am aware that in various notices that they give out to landowners we were named. That was not something that had to do with an agreement. There is no agreement, we have not reached any agreement.

CHAIR - So that was news to you when you were informed of that?

Mr McGOLDRICK - That was something that was, how shall I put this, more to do with our regulated role in the way it was quoted but it was landowners that were considering the cable across. That is not something that we have agreed to. We have not reached any agreement to put in place a connection and in an unregulated sense from the wind farm to our backbone assets. We are, however, as obliged, progressing the regulated portion.

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CHAIR - The backbone asset being the cable that goes into Port Latta, further up? When you talk about your backbone asset where are we talking about?

Mr McGOLDRICK - That would be at Port Latta.

CHAIR - It is from Port Latta to Western Plains gate, basically.

Mr McGOLDRICK - That is unregulated portion. No agreement has been reached. That can be put out to competition. Epuron would decide and they would run a procurement event and we could participate or decide not to participate and ultimately then they would award that contract as an unregulated piece of business to ourselves or somebody else.

With respect to the regulated connection, at or around Port Latta where we can actually hook into our network, that is something I am obliged to do.

CHAIR - I understand that, I am not so worried about that end. I am talking about the other end. Minister, does that concern you that TasNetworks has been put into a contract, presented to landowners as if TasNetworks were a party to this?

Mr BARNETT - I think the CEO has explained it quite well.

CHAIR - I am asking you, minister, are you concerned that that would be the case. For all intents and purposes, and I have seen one of these contracts, as you probably not be surprised to know, that clearly name-up TasNetworks as if they are building, owning. It is not clear about that aspect of it. This is a company that seeks the approval of the community, a social licence in our community to construct a wind farm and has a history of onselling them to a company that puts up bigger turbines. Are you concerned about that?

Mr BARNETT - If I can have the opportunity to respond and to advise that I think the CEO has outlined it very clearly that TasNetworks have an obligation at Port Latta. Once it gets to the network between there and Western Plains or in and around Stanley that is a matter for Epuron. They are entitled to talk to TasNetworks or other entities that may or may not wish to construct that transmission line. That is a matter for Epuron.

As I said earlier, I made it clear to Epuron and to other wind farm proponents that they must engage with the local community and they must consult. This is a top priority for our Government, we have made it very clear and that should be done in an open, honest and transparent way.

CHAIR - I appreciate that Sean's explanation around that process is very helpful. I am sure the community will be pleased to read the *Hansard*. Minister, will you take any action then, in terms of further communication with Epuron to say this potentially has been misleading? In terms of the community's social licence that you said you respect and you have encouraged them to participate in.

Mr BARNETT - Yes, of course I will take into account what is said in the public arena. Also, if I am provided evidence of information that has been provided to landowners or members of the community which is not accurate or needs to be clarified, absolutely, whether it be myself or local members such as yourself. I am more than happy to have ongoing liaison and contact with yourself, Madam Chair, and other local members up there in respect to these

particular matters. We are very engaged and want to remain engaged with the community so that they can be confident in the process.

Mr McGOLDRICK - I have clarified this directly with members of the local community. On 10 November -

CHAIR - One has been trying to ring me. I've been too busy in this place to return the call.

Mr McGOLDRICK - On 10 November I sat down with representatives of the Respect Stanley Peninsula and No Wind Turbines group and I explained exactly as I've explained now what had occurred and what we were doing and what we were not doing. We've provided that because there was a level of concern, because they reached out to us, because we are really passionate ourselves as infrastructure developers about doing it correctly with community and under the minister's direction to do it with full social licence. I sat down and explained the complications of this matter and the fine legalities of it and exactly what we were doing and what we were not doing at the moment. That happened on 10 November.

Mr BARNETT - Just to confirm what the CEO said, it's an important matter. The CEO has met with those representatives. I've previously met with them, as I think you know, Madam Chair, and any information that may not be accurate, certainly I'm absolutely willing to look into it.

CHAIR - I want to talk about the north-west transmission line if we get a chance.

Mr DUIGAN - If you want to go with the north-west transmission line, mine is not about that.

CHAIR - Just to get some more detail about where the north-west transmission line is at, I notice the mitigation against bushfires meant the majority of the Staverton to Hampshire line is through Forico land, which is bush or forestry plantation. So right for the igniting. It's a pretty brave move. I know they were the most amenable private landowner to work with. Can we have an update on the progress, the priority areas, et cetera?

Mr McGOLDRICK - We're happy to work with Forico and other large landholders to try to sensitively route our new assets, particularly our greenfield assets. It's great to be working with a really professional forestry management business who know when routing our assets, when we agree to route our assets, strict management has to take place about what can be grown and what can't be grown and distances and the width of the easement.

We are both very aware of any risk that there might be and we mitigate those risks by careful management of the easements, careful routing and making sure that our assets are in extremely good condition so that any risk is minimal. Forico have excellent processes themselves. They are a knowledgeable party to discuss issues with, so I look forward to progressing that and ultimately routing some of our assets on their land.

We work with private and public landowners, large and small. They host our assets for 60, 70 years so we work closely with them. It's not something that we just set and forget, just build and leave. We're actively managing that landscape with their help, trying to ensure that we minimise not just things like bushfire but any impact on their primary production, on the

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primary purpose as landowners for having that land, be that forestry, be that agriculture, be that animal husbandry. We have to work closely and, as I said, delighted to be working with as professional a company as Forico in that regard.

CHAIR - With regard to the northern line, the Sheffield to Stowport - no, it's the Heybridge bit.

Mr BARNETT - Sheffield to Heybridge?

CHAIR - Yes, Heybridge and then on to Burnie. That's through the existing corridor but you have to widen that substantially, as I understand it, to fit in the new assets.

Mr McGOLDRICK - When we are constructing the various elements of the north-west TD, there are parts of it that are greenfield that will be new routes. Other parts, the majority, we try to use some elements of our existing easements, the reason being that we want to, again, minimise the impact on the landscape and make the best use of our existing easements.

In some instances we will be building alongside existing assets. In some instances, we will be building alongside the existing assets and then retiring some of those assets. It's a combination of techniques to try and minimise the impact for the community.

CHAIR - Don't you need a wider corridor -

Mr McGOLDRICK - In some instances we do. In some instances, we're giving back land when we build alongside and then retire and then we'll narrow the easement instead of widening it. In some instances, we will need a slightly wider corridor; in some instances, we're giving back substantial elements and widths of easement because we will no longer need them.

CHAIR - Did you have a quick one, Nick?

Mr DUIGAN - Yes, to follow up on some of the work that TasNetworks does in the community, away from the core business, with particular reference to St John Ambulance. You touched on it earlier, minister.

Mr BARNETT - Yes, thanks for the question. I did touch on it in my opening remarks, regarding health and safety in the community and super-charging that safety with almost 100 new defibrillators. Our partnership with St John Ambulance to put 98 automated external defibrillators into its fleet vehicles is very good news. Those are significant and important fleet vehicles. Members of the TasNetworks team will need training as those defibrillators are rolled out. I understand it's going to be an Australia first, for an energy distributor like TasNetworks, and I congratulate them on that. I believe the TasNetworks ambition to save lives will be greatly appreciated by the community and by their workforce.

Safety has been a top priority. I have regular meetings with the board and post board meetings and they are always focussed on safety and managing those risks and those dangers. The defibrillator roll-out is another great step forward for TasNetworks. The CEO might want to add to that.

Mr McGOLDRICK - I'm particularly passionate about this. Our workers work in very remote areas and under challenging conditions, so this was one thing that is going to be really

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helpful for them to not worry that if they're out of touch, or they're tens and tens of kilometres away from any emergency help; they will be first responders themselves. Each team will be trained in this regard, but also it's 100 extra mobile defibrillators out in the community, so of course we hope it will be useful for the community as well. The driver for this is those crews that are out there in all weathers, at all times of day and night and an incident might happen; and they now have an ability to provide first response. That's particularly important.

CHAIR - Thanks minister. We'll call it quits it that. Thanks.

Mr BARNETT - I thank the committee. I also thank those at the table for your support, particularly the new chair, and the CEO.

The committee suspended.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE A

TT Line Company Pty Ltd

Thursday 2 December 2021

MEMBERS

Hon Nick Duigan MLC
Hon Ruth Forrest MLC (Chair)
Hon Mike Gaffney MLC (Deputy Chair)
Hon Sarah Lovell MLC
Hon Dr Bastian Seidel MLC
Hon Meg Webb MLC

WITNESSES IN ATTENDANCE

Hon. Michael Ferguson MP, Minister for State Development, Construction and Housing
Minister for Infrastructure and Transport Minister for Finance Minister for Science and
Technology

Mr Damian Bugg AM QC, Acting Chairman, TT-Line.

Mr Bernard Dwyer, Chief Executive Officer, TT-Line

Ms Kym Sayers, Chief Financial Officer and acting Corporate Secretary, TT-Line.

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The committee resumed at 3.14 p.m.

CHAIR - Welcome minister. We are pleased to have you here to talk about TT-Line. I ask that you introduce your team at the table and then I invite you to make an opening statement, hopefully not too long. We will then have some questions for you.

Mr FERGUSON - Thank you Chair, and good afternoon to the committee. I am pleased to introduce the acting Chairman, Mr Damian Bugg AM QC; Mr Bernard Dwyer, Chief Executive Officer; and Ms Kym Sayers, Chief Financial Officer as well as acting Company Secretary. I am supported by my Chief of Staff, who won't be giving evidence today. We look forward to your questions.

As the chairman has noted in the annual report, TT-Line was not immune to the impacts of the pandemic. The number of sailings decreased by 5 per cent to 806, down from 842. A number of day sailings and Sunday sailings were understandably cancelled due to low passenger demand, due to the continued implementation of Tasmanian border restrictions and a loss of demand by passengers. This meant that passenger numbers were down totalling 234 725. That is a decrease from the previous financial year of 351 224. However, freight volumes achieved record levels, in part due to the additional lane metres that became available.

The company and its employees did an excellent job in ensuring that the vessels could continue to operate continuously in a Covid-safe way. The *Spirit of Tasmania* vessels remain highly regarded on the international ship market due to the extensive and ongoing maintenance regime undertaken by the company. There have been some exciting developments this year that I would like to briefly mention. We have new ships on their way. TT-Line signed a contract with Rauma Marine Construction in April of this year to construct two new roll-on, roll-off passenger ships to replace the current *Spirits*. Final planning and technical details are being settled now, and construction is scheduled for February next year. The first ship will be delivered in to 2023, and the second is scheduled for 2024 arrival.

Most proudly, up to \$100 million will be spent on local suppliers for the vessel replacement. TT-Line has already engaged a Tasmanian-based procurement manager to work with suppliers and the ship builder on this process. We will also have new ports for our new ships. Construction has started this year on the new *Spirit of Tasmania* 12-hectare facility at Geelong Port, also known as Corio Quay. TT-Line will move its operations to Geelong late next year, after signing a 30-year lease for the site. I know that the company is very much looking forward to moving to Geelong and benefiting from the new, undercover passenger terminal, the dedicated freight terminal, a 150-truck bay and a 24-hour secure freight yard; light years from the current service at Station Pier.

TT-Line and the Government are confident the move to Geelong will increase passenger numbers from new markets like regional Victoria, South Australia and New South Wales; and this will be a fitting and impressive gateway to Tasmania. Also, work is rapidly progressing on the redevelopment of East Devonport. The Government has backed this \$240 million project by TasPorts which will significantly increase the capacity of the port. TasPorts has commenced a procurement process for the dredging and marine package of works. I am sure we will be happy to discuss that tomorrow. The project team is now shifting into the stakeholder and community consultation phase, with a number of engagement activities underway right now.

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The project will provide a 40 per cent increase in overall capacity at the port, which will deliver an additional \$36 million into the Tasmanian economy through increased trade and, most importantly, it will be a landmark gateway to the state to complement the new port at Geelong.

In conclusion, Madam Chair and committee, this has been a massive year for TT-Line. The pandemic has presented challenges for the state's official carrier, but the company has managed through COVID-19 and all of the challenges that it has brought. I consider they have done an exceptional job. It has continued to run as an essential link to the mainland. They have locked in the build of two new ships; locked in the development of a new port at Geelong and, contributed to the redevelopment of the current port at Devonport which has been the home of TT-Line for the past 35 years and will remain so for decades to come.

CHAIR - Minister, I am going to ask Mike Gaffney to start the questions because TT-Line berths in his electorate.

Mr GAFFNEY - Thank you; and thank you for recognising the difficulties of the last year and that TT-Line is not immune to some of those concerns. The Geelong lease for the TT-Line for 30 years, was it considered a possibility to purchase the land or wasn't it for sale? One would think that if it is there forever, buying it might have been considered; or wasn't it an option?

Mr FERGUSON - Thanks Mr Gaffney. As it is related to operational matters, I will invite the CEO or the chair or the company secretary to address it. In this case, I will hand to the CEO, Mr Dwyer.

Mr DWYER - It wasn't for sale. It is owned by Geelong Ports, a private company. It is using their facility down at the wharf area in Geelong.

Mr GAFFNEY - The transfer from where you are operating at the moment to Geelong, how long will that take, that process of moving infrastructure. Do you have to move it or will you move more?

Mr DWYER - Strategically, it is really sound because what we will be able to do is develop that wharf which is already started as the minister has said, in Geelong. We will be ready to take that over in July/August on next year. Probably two months to commission to make sure everything is right. There will be sailings before then to actually start with the commissioning of the site. The site itself, will be built with the facility ready for the current vessels but also the new vessels. Instead of us interrupting services while this is being built, it is all done and the service will not be interrupted at all.

Mr GAFFNEY - Thank you, I noticed the 7 Port 1 boat will be ready by 2023 and the second one, 2024. Because of the different length of the boats, will the new East Devonport site be ready by 2023 in preparation?

Mr DWYER - All indications are working with Tas Ports, it will be. Maybe not all structures will be in place, but as long as the berth itself is ready, we can operate out of there.

Mr GAFFNEY - I was fortunate to be at the Tourism Conference when they did a spiel on what was happening. The Geelong site being 12 hectares has a lot more infrastructure for

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people disembarking overnight. Is that going to be an issue in East Devonport where there is not that much land - there is more - but is that going to be a concern? How are you going to deal this at our end?

Mr DWYER - It is a very good question. The facilities in East Devonport, one of the reasons to move is not only to fitting the new ships at berth number 3, but the increased landside space for us. It is important we have a lot of landside space as we have talked about with Geelong at the Tourism Conference because these vessels have a three-tier loading and discharge which has never been done before on Rowpak's vessels. That enables us to keep passengers and freight totally separated from each other so it is safer and it allows for a less time for discharge and loading the vessel.

At the moment at Station Pier and in Devonport it takes about 3 hours to do a quick turnaround on a double sailing. Discharge, clean, load and leave, is about 3 hours. With the new facilities and the new ships in Devonport and Melbourne that will be 1.5 hours and will increase the reliability of our schedules. The schedules do not crib out over a 24-48-hour period.

What it also does is it allows us to be sailing on the ocean longer and at a slower speed and we will be saving money in relation to that. The longer you can be sailing at a slower speed, the more money you save.

CHAIR - Like a cruise more than a ferry crossing.

Mr DWYER - It will still be a ferry crossing.

Mr GAFFNEY - With the refurbishment of both Geelong and East Devonport, what will be some of the advantages to the Devonport or the Tasmanian working enterprise to access some of the funding you mentioned it is going to cost to do that change?

Mr DWYER - That is a question for TasPorts. All of the contract for the build, the wharf infrastructure and the landside will be covered under the TasPorts project. I can imagine they will only put a tender out within Tasmania, but that is not for me to say in relation to TasPorts. There is a big opportunity there for the investment required.

Mr GAFFNEY - You may not answer this, but is there anything of a concern about the new boats coming on board that is a real significance of what are we going to do here or is this of concern? Or are you comfortable with what has happened in the progress that will eventually see them?

Mr DWYER - I am very comfortable with where the plans, negotiations and the arrangements are at and also, the progress the project teams are making on this. We are very much on schedule. To be fair, the fact we had to change contract, we are probably a year later than we really wanted to be has helped really in that. We still will have some brilliant ships coming in with the infrastructure there ready for.

Mr GAFFNEY - Okay. I am not looking for a scoop here, but are they still going to be called *Spirit I*, and *Spirit II*, not *Fergie I*, *Fergie II*, or something.

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Mr FERGUSON -It had even crossed our minds. Now that you mention it, I will answer that, no.

CHAIR - No? It will not be *Spirit I* and *Spirit II*? What was that no in regards to?

Mr DWYER - It will not be *Spirit I* and *Spirit II*, because we already have *Spirit I* and *Spirit II* and it is bad luck to call a ship the same as another.

Mr GAFFNEY - Like *Titanic* or something

Mr DWYER - We rule that out

CHAIR - Okay, so, how will the new names be selected then?

Mr DWYER - We will make an announcement on the new names at the right time publicly.

CHAIR - It will not be like the *John Duigan* up in King Island, for example.

Mr DWYER - Duigan

CHAIR - Duigan, sorry.

Ms WEBB - Let us put it out to a popular vote.

Mr DWYER - We will consider Ferry McFerryface, but, no.

Mr GAFFNEY - My last question as others will have some as part of the terminal issues. There is been regularly community comment about the difficulty of securing a place for larger vehicles such as caravans on the Spirits. That is a significant barrier to some people. Is that been addressed or looked into with the new ships? Some of the things you have known from *Spirits I* and *II*, are they going to be addressed with the new Spirits?

Mr DWYER - This is the benefit of actually building vessels, that we have never done before as a state. We have really looked at all of the inhibitors we had with the current vessels because we bought them essentially second hand. We had to modify our services around the shortfalls of those current ships, which still do a fantastic job, of course.

What we have learnt from that the width of the vehicle deck lanes needs to be wider, going from 2.1 to 2.3 metres wide. We are getting wider there, not only for the larger vehicles on the new ships, but also for passengers getting out of the vehicles as it can be really tight. With the height, instead of 2.1-metre-high, we are looking at around 2.3-metre-high for standard vehicles and up to 4.8 metres high in the double deck site. The 4.8 metres not only caters for very large caravans, camper vans and some huge motorhomes, but also freight. It is higher than the current vessels because of the new Australian Legislation for road transport coming in at 4.8 metres and we are also covering that. The new vehicles are 40 per cent larger, just in the freight cars and passenger vehicle space.

Mr GAFFNEY - Thank you chair, that is all I have.

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Dr SEIDEL - What are the options for *Spirit I*, *Spirit II* once they have been decommissioned? Are you considering selling them? What is the plan?

Mr FERGUSON - I might ask the chairman to address further. I can indicate from the outset the Government have been on advice of TT-line, as well as our own internal government discussions, taken the view we will sell those vessels on the open market at the conclusion of this project and certainly, allow the chair to elaborate and conclude it in timing.

Mr BUGG - I will be brief, that is the plan and as the minister have said, the vessels have been well maintained and they are regarded as been very saleable and still have good years left. And you will notice that, we downgraded the valuation quite a bit this last year, mainly because the market is not as buoyant as it was because of COVID-19. That has affected our figures, and we have to live with that. But yes, that is the plan.

Dr SEIDEL - Would that be an expression of interest process? Are there any timelines you have considered already? Or it is just work you are currently in?

Mr BUGG - It is not locked into anything yet. We will obviously will take advice.

Mr FERGUSON - I will elaborate that Tasmania expects to host Interferry in 2023.

Mr DWYER - Interferry is the international body for ferry operators around the world. We were going to host in 2021, but because of COVID-19, we have pushed that out to 2023 in Tasmania. All of the major ferry operators from around the world, and the owners, will come into Tasmania. That is a perfect way for us to get them onto those vessels. We'll work through a broker and that's the way ships are bought and sold around the world. Our broker will manage that process with us but needless to say, as soon as we announced internationally that we were building new vessels, people were interested, because these have a very good reputation in the world fleet.

Dr SEIDEL - Madam Chair, you have been approached already by interested parties with regard to *Spirit One* and *Spirit Two*.

Mr DWYER - Yes, through the brokers.

Ms LOVELL - Minister, the tourism industry has declared an ambition for Tasmania to be a carbon-neutral travel destination. Are you considering any greener energy sources for fuelling for the new ships?

Mr FERGUSON - We certainly are, and thank you for the very good question. I'll ask Mr Dwyer to respond but, yes, fuel type innovation has been a particular initiative in the decision by the Government and the board to purchase two new vessels. I will ask our resident expert, Mr Dwyer, to elaborate in fuel mixes and the variability going forward that the company are able to switch in and out of but I'd also invite Mr Dwyer to deal with the issue of how we took the existing *Spirits One* and *Two* to be international fuel-compliant as well.

We support what you're saying and what the tourism industry are saying and so the company and the Government have been moving very positively in that direction.

Mr DWYER - I am very excited to answer this question.

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Ms LOVELL - You look it. I'm excited to hear now.

Mr DWYER - From 1 January 2020 the world fleet had to move to low sulphur fuel. We spent hundreds of thousands into the millions of dollars on converting our vessels to low sulphur so that was finding low sulphur fuel which is being made at Viva Energy in Geelong and also modifying our vessels.

When we use bunker fuel - the old bunker fuel - you had to heat that fuel up to make it more viscous to move around. With low sulphur, you have to change your vessels and actually cool it down so it's gone the other way. We had to put coolers in so there was a lot of work done onto the vessels there.

We did a lot of testing. It wasn't as successful as some other companies around the world so we spent a lot of time on that and both vessels were ready and were operating a couple months ahead of January 2020.

In looking at new vessels very early in the piece, we made the decision that there'll be dual fuel engines so there'll be diesel LNG engines on the ships, so a much larger tank is required for LNG. That will take us forward very well. Anybody who knows about greenhouse gases, that doesn't help with the carbon side of the business. We've made sure the engines and all of the facilities that we're putting in the design and the purchase for these new vessels are able to take green bio fuel as well.

We'll be able to tap into the hydrogen and the mix of hydrogen and other fuels for those because we have to comply with international regulations - not Australian regulations, international regulations going forward. We're staying within that envelope all the way through.

It has been really interesting and really exciting going down that path. We sit on the greenhouse gas subcommittee for the international and the ferry organisation as well. So we have our say at the table about calculations, directions and making sure that we're right up with that so we know where we're going. I'll try to calm down now.

Ms LOVELL - Thank you.

Mr FERGUSON - I'd like to let the committee know, Chair, if I can in brief that in-part because of that initiative and noting that in 2021 there was a reduction in sailings but nonetheless the greenhouse emissions measured by tonnage fell from 152 000 tonnes in 2010-11 down to 130 000 tonnes in 2020-21. The reconfiguration has contributed to that.

Mr DUIGAN - Having those ships running on LNG, does that make them easier to convert to, potentially, an ammonia fuel source in the future?

Mr DWYER - The engines don't change. It's changing the way the fuel is delivered to it but it's not changing the engines themselves. That's why we are really right up with the engine manufacturers from around the world to make sure we're closely following, not the bleeding edge of technology, but we need to make sure that works.

CHAIR - Minister, I'd like to look at the funding of the said ferries or ships and we know there's been a bit of toing and froing with funding about this. In 2016-17 and 2017-18,

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\$40 million of dividends were paid and then \$81 million equity contribution back to TT-Line plus a little bit of interest. Then there has been a bit more toing and froing in regard to that.

I notice there's a balance of \$62 million in Finance General still that's notionally for the vessel replacement. Why don't you just give that back to TT-Line to manage their money? Are you so worried about them being poor money managers? They can't look after this money?

Mr FERGUSON - No. Certainly, that's not the explanation but the ship replacement fund was established - I would have to look back to the year but it was an early initiative by the Government on coming to office in 2014. It quickly became apparent that we wanted to secure and have a secure lock and key on funds effectively to save up for the ship replacements and, as it has evolved, things have changed along the way. We certainly have made the purchase decision to accelerate the replacement of the vessels which, by the way, are technically not due for replacement until, I think, 2028 in terms of their optimum period when you might have replaced them.

There's a lot of trust between government and the TT-Line board and certainly the establishment of that fund shouldn't be interpreted in any other way. We've a very strong and positive relationship. However, it has been a mechanism for dividends from TT-Line to be placed in a safe place for the future ship purchases.

CHAIR - Why don't you just give them a dividend holiday and let them keep the money until the ships are bought?

Mr FERGUSON - The financial arrangements for the purchase of the two new ships are very solid. We've taken significant advice from Treasury as well as from the board itself and with the arrangements that have been struck with the contractor, it's a very solid outcome for the state and a very positive one for local domestic input as well with up to \$100 million.

I must only, again, emphasise a lot of trust and a lot of goodwill. That has been necessarily the case and demonstrated not just through the pandemic but as we went through the quite difficult policy decisions to shift our second port to Geelong from Station Pier and also for the process of the purchase of the two new ships with RMC.

CHAIR - Before Mr Dwyer answers that, minister, I would ask him to also perhaps respond to the next question I have, which is the \$62 million left in TASCORP, in the fund there. I believe TT-Line has about \$112 million. How much more is going to be needed to fully fund the vessels and will it be by borrowings or will the Government provide some more support? That may be a question for you but the others about - yes.

Mr DWYER - Any of the dividends that TT-Line has paid have gone into the vessel replacement fund so having a dividend holiday doesn't really matter.

CHAIR - Because you can't hold the money on your balance sheet. It gets held on the government's.

Mr DWYER - Yes and we still receive the interest in relation to that fund as well, into that fund, so that's quite fair and equitable, of course. In the previous annual report, the report of the \$35 million, \$36 million profit from maturing hedges - unfortunately, my CFO wasn't on a percentage then so basically with the maturing eight percentage that was an increase.

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CHAIR - Exchange rate hedges. Yes, I thought that was quite a nice little uptick, wasn't it?

Mr DWYER - That's right. Yes. That has really helped the business cash flow through COVID-19 as well.

CHAIR - That hasn't been popped across into the TASCORP account?

Mr DWYER - No.

CHAIR - No. You've hung onto that one.

Mr DWYER - We've kept enough in TT-Line, as we always do. The board will only approve a dividend knowing what we need to have to fund TT-Line. Not only to fund the operations but also any eventualities. For example, we can have an issue with a turbocharger or one of the engines and then we need \$10 million to fix it straight away. There's always enough kept in reserve within the business by the board being very prudent on making sure we've got enough to keep that business running optimally.

CHAIR - Surely TASCORP would come to the party there? We've heard what a wonderful relationship they have with TasNetworks, their best customer. You don't get anywhere near the best customer -

Mr DWYER - Okay. That's sad.

CHAIR - They have got a bit more debt than you, yes. Surely, if that was a problem, TASCORP would - yes.

Mr DWYER - Yes, of course.

Mr FERGUSON - Without a doubt. In fact, TASCORP is part of the mix going forward in terms of some debt financing and an ambitious goal to repay future debt borrowings on the new ships over, I think, a 12-year period.

Mr DWYER - The payback on these new vessels is south of 15-year pay back, which is a really good for an infrastructure investment. That will give TT-Line another 10 or 15 years to build up reserves for replacement of these vessels. We need to keep that in mind, and what the next sort of vessels will look like. I was listening to the lower House with TASCORP and Treasury. TASCORP is very comfortable with the business cuts that Kym put together in relation to the new vessels, and what we need to borrow and what we need to fund, going forward. We are in a very comfortable position. We love TASCORP. They are great bankers for us.

Ms LOVELL - You must be second, trying to move up the ranking.

CHAIR - We will have TASCORP next year so we will ask for the rankings.

Ms LOVELL - Minister, could you provide a breakdown of how the new vessels will be funded between TASCORP and the replacement fund and borrowings?

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Mr DWYER - I can answer that. Kym may have figures; but it is probably too early to talk figures yet. We will draw down on the vessel replacement fund; we will draw down on the cash that is available within TT-Line; and then we will go into debt for the remainder - with the returns coming back through TT-Line repaying that debt as we go forward.

Ms LOVELL - Minister, you don't have that breakdown yet?

Mr DWYER - It is too early because exchange rates will come into account. We still need to understand from the 15 December what happens when the borders open. We have been impacted very heavily by COVID-19.

CHAIR - You have got very good bookings, I noticed that. You cannot get on to save yourself.

Mr DWYER - You have tried to get on? That is a beautiful story to hear.

Ms LOVELL - Do you know the total cost of the replacement, what that will be?

Mr DWYER - The total cost for the replacement vessels as well as the infrastructure I am sure is approaching \$1 billion. That is the total cost of this project for the company and our partners.

Ms LOVELL - Do you know when you might have that breakdown? I understand that it is too early now.

Mr DWYER - We would be in a better position to understand that ourselves probably in another six, eight, twelve month's time. Certainly, I would have thought before the next round of hearings we will understand what the market is doing internationally as well as the domestic market.

CHAIR - When is the next payment due?

Mr DWYER - The next payment would be the steel cut, which is February/March of next year.

CHAIR - 2022.

Ms LOVELL - You mentioned a \$1 billion for the vessels and infrastructure. What is the cost for the vessels only? Do you have that figure?

Mr DWYER - In Australian dollars, there is about \$800 to \$850 million.

Mr FERGUSON - We will provide it during the time that we are here.

CHAIR - With the existing ferries, how and when do you plan to sell them and I assume you will? You do not want to have them as a backup. What do you hope to get for them? I know there has been a decline in the value of the existing ferries which was quite significant at \$31 million. I know you look after the vessels, they are refurbished regularly, so it is not like they are in bad shape.

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Mr DWYER - The vessels are valued at the moment at 61 million euro each. We will not sell them until the new vessels are here. I do not think the CEO would be here if we had a problem with the new vessels. We are not going to wait for the two new vessels before we retire the two old vessels. At some point we will be operating a new vessel and an old vessel on the run and then the vessel that comes out of service would then go on the market to be sold. It depends on the market at that time.

CHAIR - It is your intention to try and sell them?

Mr DWYER - Definitely.

Ms LOVELL - Have we asked when the first new vessel is due?

Mr DWYER - Late 2023.

Mr FERGUSON - The second vessel one year later, 2024. I indicate to the committee, we will take on notice the earlier question from Ms Lovell. We have been instructed in the past that the contract amount with RMC commercial 'in confidence', so I am not sure exactly how we will answer that question that we have agreed to take. .

CHAIR - You can provide to the committee 'in confidence' if that is your preference, minister.

Mr DWYER - That figure I talked about was a very round figure.

Mr FERGUSON - We will take some advice and provide the committee as much as we are legally able to and be as transparent as we can.

CHAIR - You can provide 'in confidence' to the committee.

Mr DUIGAN - Thank you. This is in light of the fact that in less than two weeks now, the borders reopen, as has been mentioned, and bookings look good. Noting that ferries and cruise ships and things like that have been a difficult space during the pandemic, I'm interested to know what changes TT-Line has made and had to make, to ensure the safety of crew and passengers through the pandemic. What have been the learnings?

Mr DWYER - It has occupied our minds for every minute of the day since the pandemic broke out in February-March of last year. We went very early with masks, for example, for crew. Crew were wearing masks from March-April last year and passengers were wearing masks from June last year. That was a good six or seven months before the airlines went through that. We always worked very closely with Tasmanian health and with Victorian health and we took the most stringent directions, whether it be Victorian or Tasmanian, had a look at it ourselves and then put on top of that what we were comfortable with. To protect our crew is the big one for us, as well as passengers. From very early in the piece, passengers were immediately confined to their cabins.

We worked with Tasmanian health to change the buffet to be a takeaway, and we closed down most of the bars. We did the two metre space between passengers. We reduced the number of passengers we could take; at one point we were down to about 700 or 800 passengers on a day sailing, where we normally take up to 1200 passengers on a day sailing. So we

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restricted that quickly. We also put in place of fogging of public areas, and fogging of cabins every trip. Once a cabin was fogged, a sticker was put across the door to say that it had been fogged and you had to break the sticker to open the door to go in again. We took it really methodically and carefully, even to the point of checking QR-codes. We are the only carrier coming into Tasmania that checks QR-codes. If you don't have a Tas-E pass, or a G2G-pass, you can't get on our ships, in Melbourne; you can't come into the state.

We can't check the validity of the QR-code, but we can check that you have a QR-code on a G2G-pass -

CHAIR - I understand there's no sharing of air between cabins, or anything is there?

Mr DWYER - All the cabin air and public space air is external, it's not recirculated. The air is too beautiful air to be recirculating in Tasmania and on Bass Strait.

CHAIR - Come down for air - that's what you're saying.

Mr DWYER - A lot of processes have been put in place. We made recommendations to DPIWE and biosecurity about how that process should work out of Melbourne into Tasmania. They've followed those from day one, because nobody knows our business better than we do. The checks we could put in place alleviated a lot of the pressure that would have been put into Devonport, as an example. We're very proud of our crew and what they've done and it really has changed hour-by-hour from when it first started.

Mr FERGUSON - Also, to let the committee know, because Bernard will be too humble to admit this; as a Government we've been very closely working with the company and throughout the entire period the company has been very responsive. They immediately and without hesitation moved to implement measures that were difficult for them from a financial point of view. It has been a seamless process. About three months ago we had a contractor in Melbourne with a COVID-19-positive diagnosis; they had been working in the ship, in the engine area. Because of what TT-Line had implemented, I was quickly able to communicate to public health and to the Premier and others that it was contained, because of those strong measures, including the fogging of those areas. Everything that could have been done, with the benefit of hindsight, was already happening. It was a great example of how the virus was prevented from travelling to Tasmania because we all know that when the virus moves it moves on freight, and on people who are using shipping or air services. It was a great example of proactive work.

CHAIR - Sarah did you have one on this and we'll go back to Mike.

Ms LOVELL - Minister, we have heard about the measures been put in place to deal with the pandemic so far. Is it the intention those measures will continue as borders open up, will they change at all? What is the plan, particularly over the summer while we start to bring more people into the state?

Mr DWYER - Much to the delight of Biosecurity, we said we are not changing our processes at all. You still will need to have a pass verified by the Tasmanian authorities to come into Tasmania otherwise, you cannot buy a ticket or get on to the vessel. We will still be doing everything we are doing now. It is pretty much ingrained now into our business. Even from the point of view, when a couple of months ago that incident happened we immediately

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implemented then all contractors had to be double vaccinated before they could come onto the ships, well before anybody expressed that. This was in Victoria and Tasmania. We did not let any contractors work on one ship and then on the second ship the next day. They have to change their crew again to put as much barrier as we could. As you are all aware, we fall under the Victorian guidelines and Victorian Health directions that anybody who operates out of Victoria has to be double vaccinated. We achieved all that well within the timeframe required.

Ms LOVELL - That is your staff?

Mr DWYER - That is our staff. That is any contractor that worked for us, all of our staff that work in Victoria who attend Station Pier, all the crew, no matter where they come from, that attend Station Pier, anybody like myself who attends Melbourne has to be double vaccinated. Out of 650 odd equivalents, we only had 30 that were not double vaccinated. Yesterday, we announced the remainder of the Devonport staff needed to be double vaccinated by 14 December to make sure we have everything in place. Most of those 30 odd we were chasing, we asked them to volunteer their information and some of them had not volunteered it and starting to come in alss. From 14 December everybody will be.

Ms LOVELL - And masks will continue on board?

Mr DWYER - Yes, masks will continue, in the terminal also. I cannot go into the terminal in Devonport through security into my office. I have to wear a mask to go into the terminal, temperature checked, all the questions asked before I go back of house and all our staff have to do that.

CHAIR - Can I ask what it has cost the TT-Line to put in place these measures?

Mr DWYER - To be honest we have not really got it as a dollar figure.

CHAIR - It is the cost of not doing it, I accept that.

Mr DWYER - There is a huge risk in not doing it. With the progression of the business through COVID-19, we lost 85 per cent of our passengers on day 1 and they came back gradually earlier this year with the free car campaign, massive. Then the Victoria and New South Wales borders closed again and it dropped off again. We have put a lot of measures in place to save money or reduce our costs. For example, we stopped sailing on Sundays. We took out all of the double sailings but there was not the patronage around. We changed our schedules. We normally leave at 7.30 at night and arrive 6 o'clock next morning. We changed those schedules to leave at 6.30 at night and get in a bit later in the morning because it was not impacting freight or passengers and that save something like \$140 000 a week in fuel purely by changing that 1.5 hours.

CHAIR - Swings and roundabouts?

Mr DWYER - Definitely. It is great management by the board.

Ms LOVELL - Is there a contingency plan for if a sailing needs to be missed if there is a COVID-19 case? What would be the contingency for freight and passengers then?

Mr DWYER - The benefit we have of running two vessels is the second vessel would then do doubles and able to run at a more regular pace. If we are in the middle of the doubles season that will be trickier, but what we have implemented is we only do two days of double sailings in a row and there is always a third day to catch up in case there is an issue. That will give us a better mitigation against if one of the vessels come out. Also bear in mind by clearing a vessel, potentially removing all that crew and putting a new crew on you would come back pretty quickly.

Mr GAFFNEY - Following on with some of the COVID-19 implications, you made mention you went from a buffet to individual packaging and that sort of thing and slowing down the sailing so you saved some money. Are there learnings from the COVID-19 experience you as a board and as a group are thinking, maybe this is something we should do full time for our new boats and ships. Maybe it is a better way of operating. It is cost effective, that sort of thing. Are there any issues there or anything that might impact positively on future sailings?

Mr DWYER - Certainly, the slowing down of the sailings. We will be very careful on what we do in our future schedules. We need to be careful with that, certainly in relation to freight. We are the last to leave out of Tasmania or out of Victoria and unfortunately, when there is an accident on the Midlands Highway, for example, freight can take longer to come into the north-west of the state. We will actually hold the sailing up for up to an hour to make sure that freight gets on, because that is a huge impost on our freight customers, if they do not get to that market the next day. We still need to be very flexible, but we will push the envelope on all of those things we have learnt, in relation to business to make it more efficient.

Mr GAFFNEY - Thank you. You mentioned the Bringing Your Car for Free campaign, the \$6 million federal government initiative. The Tourism Industry Council of Tasmania is asking federal politicians to extend the Bass Strait passenger scheme, a move that could offer free car passage ad infinitum. What are your thoughts on this and if it has value, how as a Tasmanian could we support it?

Mr FERGUSON - Bring Your Car for Free campaign was very successful but it was also a point in time intervention by the federal government, which was really very welcome for us. Noting it had been by a policy point of view explained by the federal government there had been a saving in the Bass Strait Passenger Vehicle Equalisation Scheme. As we were heading into last winter there was an opportunity to try to bring more tourists to Tasmania when it was safe to allow them to do so. I am more than comfortable for the CEO or the acting chair to answer further, but it is very clear that right now, particularly post 15 December, bookings are very hot. We are pleased the old situation of having an underspend being made available to double down and make passenger vehicles come for free was great at the time. We welcome the continuation of the scheme in the future. No doubt, it is making a contribution to the bookings we are already experiencing. Mr Dwyer, if you want to add further, that is great.

Mr DWYER - Certainly, we would welcome anything that encourages more people to travel in and out of Tasmania, certainly using our service.

The neat thing about that free car travel was no extra dollars went to TT Line at all. The mechanics of that were really the Government paid us the component on top of the normal BSBBS and we did not charge the customer. Really that money went straight into the customers pocket.

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I love talking to our passengers and can remember one gentleman at Station Pier who had just spent two weeks in Tasmania with his vehicle and was heading back. I asked him why did he come into Tasmania. Purely because he could save \$200 on getting his car here. He spent two weeks, all the accommodation and food and beverage and everything, but the real tag, was he could take his car for nothing. It really was a unique and very clever campaign the federal government facilitated at that time and was important to kickstart tourism back into the state.

CHAIR - Maybe that is something y could be reconsidered by the state Government for the winter seasons, because tourism does drop away. At the moment it is red hot, you cannot get a seat or a vehicle place for weeks.

Mr DWYER - The tourism season is not dropping away like it used to over winter anymore. The shoulder periods are getting longer and longer. We are finding we need to keep more and more sailings going and even our double sailings we have to keep more of those going in the year. It is a red hot place in winter.

Mr GAFFNEY - The winter escape tourism. I am looking at the last couple of questions about drug detection and animals and transport. Be prepared.

The Spirits are an obvious conduit for smuggling of illegal contraband into Tasmania just because of the nature of the beast, for which we see the crucial role of the drug detection dogs. Passengers are also aware of the detection dogs and how it screens passengers and vehicles? What statistics have been shown in the last twelve months or whatever about illegal entry, those who have been caught? Is it higher or lower? Do you have any comment to do with how you're dealing with that possibility to protect Tasmanians, especially not illegal substances but environmental harm protection and that sort of thing?

Mr DWYER - It really would be a question for the commissioner about figures on the number of people being caught. We don't know is the honest answer to that. We can see the overt when a car is pulled away and I can't go into the details but a lot more happens in relation to this than just the dogs. I must leave it at that. We work with all of the authorities around the nation.

Mr GAFFNEY - If one of your staff members picks up on something that they think is suspicious, the chain of command there, are they to alert somebody and how is that handled from an on-ship capacity?

Mr DWYER - We have a gentleman in charge of risk within the business. He's been full-time, I have to say, on COVID-19 at the moment and he's working with that. He is the key contact of the company in relation to all of those law enforcement agencies as well as what we would do in relation to that.

I can give an example. If we have an unruly passenger who's affected, we do have a brig on the ship so they are put into the brig and as soon as anybody goes into the brig for whatever reason then police on either side of the water meet with the ship.

CHAIR - What's a brig? It's like prison, is it?

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Mr DWYER - It's a jail cell. With the new vessels, we have two jails and that's not because we anticipate an increase but we noticed on the Irish ferries that they used to charge the police departments for carrying criminals across on the brig so we thought we'd try to get some revenue by putting an extra one in. We'll see how we go.

Mr GAFFNEY - This question is to do with the missing dog and the polo ponies. That was some time ago but I still think it needs to be aired and I'm mindful of ongoing legal proceedings. Would you update the committee on where that is with the missing dog situation and the polo ponies?

Mr DWYER - I'll cover Ester. Ester was the only dog that the company has ever lost. We've never had a lost dog before in the history of the company so that has been quite traumatic for the crew and ourselves. We've worked very early in the piece with the owner. We contacted all of the authorities within Victoria and kept up to date with what was happening in Victoria. Unfortunately, there just has not been any insight as to how that dog was taken off the vessel.

We always review every incident on the vessels as well. We've worked with the RSPCA specifically over the last couple of years and they've changed the majority of their kennels out. The majority of our kennels used to be aluminium or stainless-steel kennels but they're now kennels that we've bought from suppliers of veterinary surgeons, the plastic kennels. We've replaced the majority of our kennels with those. After that incident we've put another piece of security in place. There's a roller-shutter - so plenty of air goes through - that comes down in front of all the kennels with about a one-and-half inch gap so that even if a dog tries to push the kennel open, the cage can't open at all. We've done everything we can from a security point of view. That is updated every time we have an incident, which is not regularly.

Mr GAFFNEY - So the same sort of thing in the new vessels, are they going to have these?

Mr DWYER - I cannot wait for the new vessels in relation to pets. With the new vessels, the pets won't be on the vehicle deck. The new vessels will have the pets in what we call the centre-casing, the centre part of the vessel that vehicles don't get to will have its own air-conditioned area specifically for pets, cats, lyre birds, pheasants, whatever people will take into the future.

Ms LOVELL - I don't think it's legal to keep a lyre bird as a pet.

Mr DWYER - I won't go there but passengers will be able to come down at any time through the sailing into that area as well because it's not on the vehicle deck. From a legal point of view and a safety point of view, they can do that.

We've also prepared 10 cabins for the future that may end up being pet cabins, but not from day one. But we will certainly have those facilities built in for future enhancements of the vessels really, as well.

CHAIR - I do not think the assistance dogs do not fit into this.

Mr DWYER - The assistance dogs can go, well, it is assistance animals, you can actually take a pheasant with you, or a guinea pig.

Mr GAFFNEY - And the other one was the polo ponies situation.

Mr BUGG - Look, with the polo ponies, the litigation is spread across a couple of courts at the moment. The prosecution, which is being run on the north-west coast in the Magistrates Court, is on hold because there is an appeal that has gone through the various steps relating to the structure of the charges against TT-Line. On counsel's advice, that has gone now to the High Court and a special leave application is being heard in the High Court tomorrow morning. I really cannot comment much more than that. It is sub judice and far be it for me to suggest how that might happen tomorrow. We will know tomorrow and we could probably talk about some aspects of it then.

That won't remove it completely from the Magistrates Court. It is quite a technical issue in relation of the structure of the charges, but it will ultimately finish up back in the Magistrates Courts. That is why it is on hold. The other matter is a civil claim in relation to the loss through the deaths of the horses, and that is proceeding, but in no way, related in a sense to the timing of the prosecution. In one sense, some of the expert evidence, which is relevant to both, will maybe affect the timing on that. Once again, before the courts we cannot say much more.

Mr GAFFNEY - Thank you, I have no more questions on that, but I was going to go to sponsorship if people are happy with that?

CHAIR - Let us talk about North Melbourne. They have to get off the bottom of the ladder.

Mr GAFFNEY - Let us talk about the JackJumpers. Very exciting that the TT-Line, what do you see is the benefit for TT-Line sponsoring a team like the JackJumpers? It needs to be put on the record. How do you see that advantaging and being beneficial for the state and TT-Line to jump on board that exciting initiative?

Mr DWYER - Absolutely, there are two prongs to that sponsorship, as it was, and we talked about many times in the upper House in relation to North Melbourne. There is community and the children, children in sport, and pathways for them to aspire through. We see that as a very important piece and you only need to see how palpable the excitement is around the JackJumpers in Tasmania, across all areas of Tasmania, I must say as well.

In relation to the cold hard commercial terms for TT-Line, that will get our brand in front of a whole brand-new audience nationally, with the number of games, with the broadcast over three or four different networks, I think they are starting from tomorrow night. That is palpable, what that does for our brand. Also as we move forward into a brand of younger people who are travelling around the country. So it is very crucial to our whole strategy of brand management going forward.

Mr GAFFNEY - Thank you. My next questions here - and it might sound a bit parochial. How does the TT-Line engage local councils, business, and community organisations to maximise partnership opportunities? Take for example, the Paranaple Centre and the new conference building being built in Devonport, on the shore where the boat comes in. Hopefully that will attract greater conventions or other activities. How do you play a role in that space?

Mr DWYER - We actually met with some key proponents of the new hotels that are being developed in Devonport, probably six or seven years ago. They came to us and we talked

and shared with them our vision of numbers. We also talked about the potential for conferencing and for high-level sales reward trips out of Victoria, as well, as a gateway through Devonport into the rest of Tasmania very easily, out of Melbourne as well. We've been involved over many years talking about that as a market and how we can assist. We've not heard from many councils about what they want to do; we're always open to do that. We don't go out and drive it with the councils; we are more than happy though.

Mr GAFFNEY - My last question regarding sponsorship is there are other codes of different sports in Tasmania that are being looked at. I will call it soccer, but Football Tasmania for people listening; the Devonport Strikers have a very good record especially with their women's teams. In levelling the playing field, if there were to be a national competition and Tasmania was able to host some international or national sports, would that be something that would be of interest to the TT-Line?

Mr DWYER - We would always evaluate it, absolutely, yes. Absolutely.

Mr DUIGAN - In terms of marketing - I went to a JackJumpers game the other day and it was great; everyone was excited, and kids were running around with their jerseys on. I note in the annual report there was a reasonable a downturn in marketing spend last year, understandably. What is happening in that space? Has that ramped up? With borders opening, what are you doing to keep the brand front of mind?

Mr DWYER - The JackJumpers -

Mr DUIGAN - Yes.

Mr DWYER - No, no. More than that. As part of being more efficient in what we do, there is no point marketing to a market that can't come to Tasmania. There's a lot of discussion internally now, about how hard do we push into the market because there is so much latent demand now. I wouldn't like to see us putting a lot of marketing dollars out there when the people are going to come in anyway, so we need to be really smart on how we do that.

We do a lot more marketing now in the digital space and the social media space as well and we really do promote on Facebook. Please follow us on Facebook; every day there's something about different areas of Tasmania across all of Tasmania, really showcasing the state. We keep our brand out there, but we're really introspective at the moment on how much we do need to put out into the market because of this latent demand that's going to happen.

All of our research shows over the next two to three months most of the demand will be people coming into Tasmania to visit friends and relatives. That's who they want to catch up with, and come home. There will be a second wave when people then start thinking about where they want to holiday. They will want to catch up with their families and relatives first and then we need to make sure we are right in the front of everybody when they do that second wave especially of holidaying.

Mr GAFFNEY - If you go back to the chair's comment about the AFL - North Melbourne - getting off the bottom, at least their women's team is coming over and will probably be stronger than the men's team.

Mr DWYER - The women's team are going very well, yes.

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CHAIR - The women's team is very good, yes.

Mr GAFFNEY - Yes. They have already announced two more games, today. My last question - sorry, minister.

Mr FERGUSON - I think the committee would find it useful and I'm surprised that Mr Dwyer didn't mention, one of the greatest marketing assets that the company holds, and that is the internal database of past customers.

If I recall correctly, something like 97 or 98 per cent satisfaction ratings from passengers who then retain contact with the company. That is effectively a free form of direct marketing. It is a massive database which is a big asset for the company. Direct email marketing is engaged very successfully to previous passengers, who are pretty keen to take up those special offers and seasonal campaigns as well.

Mr DWYER - In my career it's one of the best databases I've seen and also we can measure the effectiveness of our campaigns within 24 , 48 hours. By pushing out to our database we measure who comes into the website, where they are in the whole purchasing funnel and it really is that quick.

When we get back to normal - whatever normal is - we project all of our sailings forward and if there's a hole in any of those, we will put a marketing campaign out to that database and we will get traction straight away. Unfortunately, my marketing team don't let me email them every week, because that's what I would try and do, but it is that efficient and the responses we can measure out of that database are amazing.

CHAIR - With regard to the database, obviously it is a pretty sensitive and valuable asset. In terms of your cyber security protection around that information, what have you done and are you pretty confident?

Mr DWYER - We have gone to the point now, we have a cyber security expert on staff and that is their full-time role. You would be surprised at the amount of attacks that we get every hour of the day, and from what countries those attacks come from. We have almost three levels of a ring of steel that they need to penetrate to get into our systems. We take the view, that should be taken, is that you will never be 100 per cent.

CHAIR - There are two types of companies, ones who know if they have been hacked and ones that have been but don't know.

Mr DWYER - The way we take it is if we are attacked we have to be able to recover quickly. That is the key.

CHAIR - So your backups and all those sorts of things?

Mr DWYER - Absolutely; and being able to recover quickly is the key in our business because someone will get through somehow at some point. I will touch wood.

Dr SEIDEL - Specifically, it is probably a cloud-based system that you have and is it hosted in Tasmania or is it hosted elsewhere?

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Mr DWYER - We have two separate data centres; in case there is anybody watching the video I won't say where they are; but they are Tasmanian based, our data sources.

Mr FERGUSON - If there is any further information requested on that we might be happy to do it off record.

Mr DWYER - Not that we are paranoid.

CHAIR - You have to be careful; we are talking about cyber security.

Mr GAFFNEY - My last question is to do with media and PR. There is strong interest in the *Spirits* but there is also competition from the airlines; although I would like to think that it wasn't competition, it was healthy for Tasmania. If you go back to the comment made by the chair regarding a lull in the winter, do you look at events like Dark Mofo and think, we should be offering something before that so we can trade on that concept and get people here for the 10 days instead of two nights over? How do you manage that side of it?

Mr DWYER - We have partnered with Dark Mofo before, for marketing campaigns to promote it and using our vessels to come across and spend more time in Tasmania. We keep a close eye on all of the major events in Tasmania 12-18 months out. It has been difficult because so many events have been cancelled. Our sailing schedules are set 12 months out, but they can be modified. We put out what we believe is the right mix of sailings but there are opportunities to add more sailings in, especially day sailings. If there is a need or a want and a partnership we will do that. I remember three years ago, we put a sailing on purely for Targa Tasmania. To facilitate that we put a day sailing on and moved two vessels to do that.

Mr GAFFNEY - A question I forgot to ask with the Geelong move. Initially you heard some comments from people in Tasmania about, how dare they move it; and then more recently people saying thank God they have it out of there so we don't have to go through Melbourne at peak hour or go the wrong way, up the wrong street or that sort of thing. Have you done any marketing on customers' feelings about the Geelong move?

Mr DWYER - We have done research over eight years, about the Geelong move and new vessels as well as port relocation. We have put different concepts out to customers. We have done the A and B testing of customers. We have looked at their feedback. We have talked to the caravan association. We have talked to the motor home association. They have been down to Geelong to have a look. We were supremely confident that, while there is always the initial shock of change, when people sit down and have a think about it this will set TT-Line up for the next 30, 40, 50 years so that we are not landlocked and we are providing a much better service in Geelong for passengers. As an example the Geelong terminal can house 300 vehicles under cover. Once those vehicles get into the Geelong terminal they can get out of their vehicles, which you cannot do now, they can go into a café or a childminding area. They can walk their dog, cat, pheasant, lyrebird. It is a much better facility there for passengers coming in and out of Tasmania.

CHAIR - Will TT-Line operate those cafes and other facilities or will they be contracted out to others?

Mr DWYER - It is actually all under our lease and what we are doing. As part of our commitment to local community, it could very well be run by a charitable organisation in

Geelong. They may run that and actually use that as a bit of fundraising for themselves. We have not finalised that yet, but that is the intent. We would have control over quality and all those things, but would like more of a service opportunity.

Mr FERGUSON - It is a really important question, although some time has now passed, best part of the year, if not a full year - when was that announcement made, well over a year now? When that decision was taken it was one the Government faced some criticism for and a number of individuals were pot-shotting at it, the simple fact is it was a transformational decision not taken likely by Government and the TT-Line board. Definitely the point you have already made of congestion and the lack of facilities at Station Pier has been one that customers of TT-Line have been reporting for a long time. It has come, as you have already pointed out, Mr Gaffney, as a big relief, not just to the passengers and those towing caravans and motor homes, but the freight sector has welcomed this. Noting there is a lead-in time and time for businesses to adapt. By far and away the majority of the feedback we have had has been really positive and very affirming of that decision. Not the least of which, apart from the location, geographically, but it is also the base available there, including the ability to drop-off and pick-up over a 24-hour period, which at the moment the car park at Station Pier would be not much bigger than the one out the front of this building. The facilities are very poor and truckers have had to face the challenge of meeting their very small windows of arrival and take-away and often missing those on the other end. It is a big plus for the business and really set us up for decades to come.

Mr GAFFNEY - Thank you.

CHAIR - On page 23 of your annual report, it gives a break-up of revenue from passengers and freight, 50 per cent of revenue came from freight, which is because of COVID-19 in this particular year. What is the break-up and their respective contributions to the bottom line? This year is an unusual year, but I am just trying to understand what it is on that. This year and normally?

Mr DWYER - Normally it is a pretty rock-solid 60 per cent, 40 per cent split between passengers and freight.

CHAIR - So 60 per cent passengers?

Mr DWYER - 60 per cent passengers and 40 per cent freight. It sat probably for the last 12, 14 years in that range. This year has been extraordinarily different because of not being able to take passengers but maintaining that service, not only for freight but we needed to maintain the service for passengers, essential workers and people needed to get to the mainland for medical treatment.

CHAIR - For some people moving.

Mr DWYER - That is right. That really has not changed in a normal year and that will maintain, even with the new vessels. When we say the new vessels are a 40 per cent increase, it's actually a 40 per cent increase across everything in that. It is not an uplifting freight and no change in passengers from the new vessels.

CHAIR - What was the breakdown for this year, passengers and freight, percentage wise?

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Mr DWYER - Can we come back to you with that.

CHAIR - Was it significantly different? I imagine it was.

Mr DWYER - We lost 85 per cent effectively of our passenger business from day one, but we can come back with that split.

Mr FERGUSON - We should offer to take that on notice, because we actually have our key people at the table. I wonder if we could take the earlier question on notice also and provide them back to the committee.

CHAIR - Which one?

Mr FERGUSON - On the costs of the new vessels.

CHAIR - Oh right, yes, sure, we will do that.

Mr FERGUSON - If you could place them on notice, unlike other Estimates, we have departments sitting, listening, but today we do not. If we can do that.

Mr DWYER - Happy to do that.

CHAIR - By comparison, does a dollar of freight revenue contribute more to the bottom line than a dollar of passenger revenue?

Mr DWYER - Passenger revenue is not related purely to the lane meters. Freight is purely related to lane meters but passenger revenue is lane meters with their vehicle plus what they spend on accommodation, food and beverage.

CHAIR - Is there a comparison? Freight takes up more space, if somebody does not travel with a vehicle, they have not even got their vehicle/

Mr DWYER - Freight is allocated onto the vessel and there is always the similar allocation for passenger vehicles. We are very clear on what the lane meter revenue is between that. It still comes back to that 60 -40 per cent I talked about is not the volume, that is what it is worth to the business, 60-40 per cent.

CHAIR - That is the optimum financial return?

Mr DWYER - Yes.

CHAIR - Right, that is what I was trying to establish. I want to go to another area. Do you know what your gender pay gap is across the business?

Mr FERGUSON - I can possibly take it on notice. It is not available immediately, chair.

CHAIR - The reason I ask is because TasNetworks described theirs and their gender pay gap is extraordinarily low compared to the Australian average, which is great for them. Do you even know what it is? If you do not will you make a commitment to finding out what it is and then monitoring it?

PUBLIC

Mr DWYER - We can certainly make that commitment.

Mr FERGUSON - We will make some further inquiries.

Mr DWYER - We are under an EBA not set by gender.

CHAIR - No, that is not what the gender pay gap is about.

Mr DWYER - I understand.

CHAIR - To the Auditor-General's report, looking at TT-Line. Either you, minister, or someone mentioned it in your opening comments. He notes in that the new vessels have a contract that includes a commitment for a target of \$100 million to be spent on Tasmanian Australian content. I think it was Mr Dwyer who talked about having a procurement officer appointed.

Mr FERGUSON - I mentioned that, yes.

CHAIR - You mentioned that, yes, sorry. A procurement officer appointed to fulfil that role, could you tell me more about what that procurement officer will actually be doing and how the decision is to be made about what is Tasmanian and Australian content and where?

Mr FERGUSON - Bernard, again, is the right person to respond but I will invite him when he is doing so to also outline the steps he and I have taken together with Mr Fleming around engaging with the Tas Maritime Network.

Mr DWYER - We have engaged Simon Fleming. Simon has had 20 years in procurement in maritime in Tasmania. He knows most Tasmanian businesses in the maritime and the next round of businesses around maritime. He has employed or paid by TT-Line, but he is actually the RMC representative in Tasmania. He is right in the middle of that process.

CHAIR - He is not employed by RMC, he is employed by TT-Line.

Mr DWYER - We pay him, but he actually works for RMC in Tasmania. He is RMC's representative in Tasmania we pay for. It is a lot easier across borders and all those things. As soon as Simon was onboard, we put an expression of interest out across all regions of Tasmania. We had over 150 businesses register in that expressions of interest. We then ran forums in each part of the state's south, north and north-west of the state. Simon via video conferencing in meetings like this with suppliers to talk about what the opportunities are for those suppliers.

Simon's role is to really facilitate that. I would not like to count how many companies he has seen in the last two or three months. He is very much on the road working with those companies and really trying to come up with some innovative ideas. For example, if we are dealing with a company in relation to chairs we have talked about with previous contracts, some of those companies may come to Tasmania and have those chairs made for them in Tasmania.

CHAIR - Like an international company.

PUBLIC

Mr DWYER - A national company might actually say, we will make sure the manufacturing happens in Tasmania for those type of things and that is only a very rough example.

CHAIR - In those sorts of examples would that company establish their own warehouse and manufacturing or would they try and find a Tasmanian company that could do that?

Mr DWYER - It was as rough example and we are not even three quarters of the way down the path yet and I would be assuming what they would be doing. It is trying to make sure we find as much Tasmanian content as possible and I have to say Australian content as well because not everything can be manufactured, produced or services in Tasmania.

We talk about the \$100 million is a target, and that's contracted but the bigger prize that most of the suppliers in Tasmania have recognised, is the ongoing maintenance and support of these vessels. They talk normally about four-and-a-half times the cost of a vessel over the next 25 years is what you spend on it.

We've said let's say it's two-and-a-half times, that's \$2 billion in the next 25 years purely to support and maintain the vessel going forward. The prize isn't the build; the prize is making sure that when we get materials for the vessel, when we get the major components of the vessels, that we find Tasmanian businesses that will pick up the OEM support, the engineering and maintenance support, all of the support out of Tasmania. That's the big prize and that's something we're absolutely passionate about - the \$100 million is important but it's the bigger picture that's much more important for businesses in this state.

CHAIR - Can you give the committee an indication as to whether it's the chairs or whether it's the fit-outs of the cabins, what sort of areas are we talking about? Obviously, it's not the hull.

Mr DWYER - It's not the hull. It's the art work, the wood finishes in the vessel.

Mr FERGUSON - Mattresses, soft furnishings.

Mr DWYER - Tables, table-tops. We're talking about some of the electric motors all around the vessel that are required that could potentially be done out of Tasmania. Some of the fabrication could still be done out of Tasmania. There's no defined area, there really isn't. Even making electric cables and the fittings on the cables because it needs to be Australian we'll do it here and set them up.

CHAIR - You need a hull and you need a motor to get it here before you can do anything else to it and I'm sure there's other things like navigation, equipment and all that sort of stuff.

Mr DWYER - And the steering wheel.

CHAIR - Yes and probably some other sort of electronic equipment to make sure you don't hit an iceberg or something on the way. I'm interested in how bare a vessel we're getting.

Mr DWYER - You can't bring out a bare vessel so we take delivery of the vessel in Finland. All of the sea trials, everything has to really be on the vessel to do the sea trials

because it has to be right weight for them to fit into the speed and the efficiencies test that they need to pass for us to accept the vessel.

The majority of everything needs to be on the vessel. Where things may change, mattresses for example, we may say x number of mattresses - there might be 800 mattresses per vessel so 1600 mattresses weigh this amount, put the mattresses on here and make sure you put that weight on the vessel to make sure you've got that in the speed trial.

CHAIR - The same with the chairs. You estimate the weight of the chairs and put that on the vessel.

Mr DWYER - Chairs may be slightly different. You may manufacture them here and we fill a couple of containers and send them over. There's nothing wrong in doing that so they install them there.

Ms LOVELL - In an example where it's part of the fit-out that needs to be installed directly onto the ships, so some of the finishings maybe or something that can't be done like the chairs manufactured here and transported across, whose responsibility would that be to do that in Finland, presuming they'd have to go?

Mr DWYER - The fitting-out in Finland?

Ms LOVELL - Yes, if there's a Tasmanian component that has to be installed in Finland, is that then up to that company to be responsible for getting across and doing that?

Mr DWYER - I would certainly see that there would be workers coming out of Tasmania and going across to do the install because they need to be installed to their specifications and they also have to guarantee that to the ship builder as well for warranty when the ships come out here as well.

Mr FERGUSON - There's an overview response I'd like to offer as well to the committee which I was about to offer earlier but the question now prompts it, which is that RMC are responsible for all of the delivery. As Mr Dwyer has pointed out, it's RMC that's engaged the local procurement manager, Mr Fleming. The obligation sits with RMC to meet that up to \$100 million Australian local content. It's our responsibility to help ensure that information is shared around and that there are access points for local suppliers to make available their product and services.

Directly to your question, Ms Lovell, ultimately it will be RMC's responsibility to take full responsibility for delivering and if that means they are bringing in some Tasmanian or Australian content then it is coming in under their oversight but they have gone out and purchased a Tasmanian input. I wonder if you would agree with way I have outlined that, Mr Dwyer?

CHAIR - How would they report that to you, minister? It is there in the contract but how will they be held to account for that?

Mr FERGUSON - I will definitely again go to the CEO but I was asking him to check the way I had expressed that, that it is correct?

Mr DWYER - That is absolutely correct.

Mr FERGUSON - I would like to be clear about it and I also make the point that it is an enforceable provision within the contract. While the contract itself is commercial-in-confidence, we are able to describe how it will be enforced.

Mr DWYER - The minister is spot on. It is RMC who are building the vessels. We have a fixed-price contract, which I am so glad we have looking at steel prices. We have a fixed price contract for these vessels to be built and it is up to RMC to deliver those vessels for us to take delivery in Rauma and for them to do their sea trials, everything else that is required under the performance of the contract in relation to that. It is up to RMC to hunt down the Tasmanian/Australian content.

We are watching it like a hawk because we are so invested in that aspect of this project as well, but also any component of the ship. For example, there are 15 crucial pieces of componentry that I have to sign off on and for me to sign off on the yard has to give us the full specifications that we take to our naval architects to double-check it as well. As part of that, we make sure we see who is maintaining it in Australia, how is it maintained in Australia, that ongoing tail that I have talked, that huge piece of work, is crucial in all of those decisions about what we put on the vessel as well.

It is up to RMC to deliver it but we are in there making sure that this ship can be supported in Australia because once it comes from the yard it won't go back to Finland to fix something. It has to be fully supported out of Tasmania and the mainland of Australia.

CHAIR - So you can refuse to take delivery of it up until then and refuse to pay final payments until then?

Mr DWYER - In relation to the vessel, it has to pass all of the specifications for sea trials.

CHAIR - Before you pay?

Mr DWYER - Before we do the final payment but also there is a tail to that as well. There is a 12-month warranty period for the vessel as well. This doesn't finish as a project until late 2025 when the last ship has been delivered, 12 months after that we are still very much engaged with that yard to make sure we are getting it.

CHAIR - Is a 12-month warranty a usual sort of warranty you would expect on this?

Mr DWYER - Yes, 12-months from the yard but some of the equipment could have a three, four or five-year warranty. That warranty is then transferred across to us from the yard once the 12-month period has gone.

Ms LOVELL - I would like to go back a step if I may, minister, you mentioned Mr Fleming is the RMC rep in Tasmania but I thought Mr Dwyer said he was paid by TT-Line?

Mr DWYER - Yes.

PUBLIC

Ms LOVELL - Why is that if it is RMC's responsibility to undertake the procurement? What is the relationship there?

Mr DWYER - We wanted to make sure, we made sure it was the right person. That is something we offered, to make sure this works and it is easy then we have a little bit of guidance we can give Simon as well. In the scheme of a \$1 billion it is not a lot but it gives us more control and more insight into what is happening for this local content. That is important to us.

CHAIR - Is Simon a Fin?

Mr DWYER - No, he is Tasmanian.

CHAIR - So he knows the local area.

Mr DWYER - He is starting to learn Finnish.

CHAIR - Good on him. A question from your financials, page 20, I was trying to understand the cashflow statement there. You have an investment list as \$30 million there under financing. I would have thought it would have been under investing so why is it under financing rather than under investing activities? It's on page 20 of the financials. That's why I like hard copy. It's quicker to get there.

Ms SAYERS - We've got cash flows from investments being financing activities.

CHAIR - Yes, the investments would normally be under 'investing activities'.

Ms SAYERS - I'm going to take it on notice, if that's okay.

Mr FERGUSON - Yes.

Ms SAYERS - Only because I believe there has been a change in the legislation as to how you report it; but I want to confirm that before I give you an answer.

CHAIR - Sure.

Mr FERGUSON - We will take that on notice and thank you, Kym.

CHAIR - You may also need to take this one on notice, relating to your financials, minister. [inaudible] was pleased to see that TT-Line has generated \$22 million cash from its operations in spite of all the various challenges we've discussed and that was underpaying tax - income tax equivalents of \$20 million to general government. That's on the same page.

I remember looking at the budget papers and noticing that - I went and checked - that the TT-Line, it's not reported in the budget papers as paying income tax equivalents. I'm wondering if you could check that as well.

Mr FERGUSON - Happy to.

CHAIR - Yes. This may be a problem with the budget papers rather than TT-Line's reporting.

PUBLIC

Ms SAYERS - I can't comment on -

Mr FERGUSON - It's separate to a dividend payment as you, I think, have implied, so that's correct in my understanding also. How the Treasury, presumably in Budget Paper No 1, would present income tax equivalents from GBEs is something I'm happy to take on notice and to ensure that it lines up as you've identified.

CHAIR - Yes. All right.

Mr DWYER - We can't comment on budget matters but can they have a -

Mr FERGUSON - No.

CHAIR - No, no. But you did pay just over \$20 million in income tax equivalents.

Ms SAYERS - This is a cash flow statement that we're talking about. We paid the tax relating to the prior year, the 2019-20 year in the 2020-21 year from a cash flow perspective.

CHAIR - Yes.

Ms SAYERS - I can't comment on the budget papers but that's what that reflects in our financial cash flow.

CHAIR - Yes, I appreciate that.

Dr SEIDEL - Minister, you're reporting the percentages of purchases from Tasmanian businesses and you have done that for many years now, which is great. It is now just around 24 per cent. Do you believe that's pretty much the ceiling we've reached in your industry?

Mr DWYER - Of local content? I believe that will increase, especially with the new vessels and we talk about maintenance, we talk about [inaudible] support, so more of that will be coming out of Tasmania going forward.

Mr FERGUSON - Are you prepared to discuss the fuel arrangements, or is that too early?

Mr DWYER - We're under contract negotiations so I can't talk about fuel at this stage.

Mr FERGUSON - Okay. Yes. But we can say that we're engaged in a range of industry segments and looking to maximising Tasmanian provision.

Mr DWYER - We're absolutely passionate about spending as much as we can in Tasmania and I know the normal chairman, who sends his apologies because he is in America at the moment, and our deputy chairman are passionate. I can't put it any more strongly than that.

Mr FERGUSON - We all are.

Dr SEIDEL - Apart from fuel, are there any other areas you're actively looking at to increase the percentage for buy local products?

PUBLIC

Mr DWYER - Certainly. Maintenance, as I've said. That's on current vessels as well as new vessels. We spend a lot of money on our door maintenance, for example, and ships mechanical beasts and a lot of things happen on them.

For example, nearly 24 months ago now, there was a business that was doing a lot of work for us in Melbourne that fell over. They didn't have enough work to go on. A Tasmanian business bought them out and now most of that is being done out of Devonport rather than out of Melbourne. We're looking at those opportunities all the time.

Dr SEIDEL - You would be looking at long term strategic partnerships with those local businesses?

Mr DWYER - Absolutely.

CHAIR - No other questions, minister. I'm just planning out my questions on notice for you.

Mr FERGUSON - We will do our best to turn those around as quickly as possible.

CHAIR - Yes, we do need them fairly promptly because we have to report before 17 December, as I recall.

Mr FERGUSON - Very good.

Mr DWYER - We will need to get them done quickly because on the 15th we will be too busy.

CHAIR - That's right.

Mr FERGUSON - We will have the answers to you within five working days.

CHAIR - I'll send them through. Thank you, minister, and your team and thank you all for all coming with answers. It is appreciated.

Mr FERGUSON - A pleasure. Thank you.

The committee adjourned at 4.45 p.m.