



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.

PUBLIC

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 8 or 9 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

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.

PUBLIC

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.

PUBLIC

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?

PUBLIC

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.

PUBLIC

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.