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THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON FRIDAY 5 AUGUST 2016.

INQUIRY INTO THE FINANCIAL POSITION AND PERFORMANCE OF GOVERNMENT-OWNED ENTITIES

HON. BRYAN GREEN, LEADER OF THE OPPOSITION, WAS CALLED AND EXAMINED.

CHAIR (Mr Dean) - Welcome, Bryan. You have provided a submission and at this stage I will give you the opportunity to add further information.

Mr GREEN - Thank you, Chair and I thank the committee for the opportunity to speak with you today. The primary reason I am here is I guess at the behest of the Government who initiated this committee in the first place. There has been an enormous amount said over the past couple of years, particularly in more recent times as a result of the energy crisis, that there would be questions to be answered on into the future and they would all be done. Those questions would be asked in the cool light of day. They would be asked of me and I would have a lot of explaining to do. I am here to answer all of your questions with respect to the portfolio of energy in the past when I had responsibility, if you like, and more particularly through this most recent period.

The reason I am wanting to be completely transparent about this is because I believe that it is in fact the Government that has many questions to answer with respect to the way that it has handled the Energy portfolio, and within a two-year period undermined massively our energy security and the confidence of our major industrials and others, who use about 60 percent of Tasmania's energy, have in our ability to run the system. If the energy crisis had unfolded in this year - that is, that we had the massive dry period, the driest three months on record, in 2016 leading up to Christmas of this year - if the Government had continued on its decision-making path, our energy security would have been shot to pieces. We would have not had 380-odd megawatts of gas generation in store in our state. It is my contention that if the Basslink outage had occurred this year our state would have been in parlous situation with our energy requirements and it would have had a devastating effect on our economy.

It would have had a devastating effect anyway because the decisions that were already made by the Government, and confirmed in evidence yesterday by the gas pipeline company, would have meant massive increases in gas costs to those people remaining connected to gas in Tasmania. That was the decision I believe the Government made in full knowledge of the implications and ramifications of that decision. I say that because, as previous minister, I understood that process myself as a result of the transfer of the Tamar Valley Power Station to Hydro Tasmania. I have knowledge of that process. Obviously it was a transparent process because it required parliamentary approval and legislation: the merger of Aurora's distribution business and Transend, leading to TasNetworks; the issues associated then with the transfer of the Tamar Valley Power Station to Hydro Tasmania; and future decisions about energy security and how it might be maintained in the state. All those things confronted me as well.

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We have asked many questions over the last two years, trying to understand in the first place how the Government was able to come up with the \$75 million dividend from Hydro Tasmania in 2017-18. We asked very specific questions as to how that was going to be delivered and arrived at. We were told there were discussions and negotiations underway with Hydro Tasmania with a view to delivering that. We have since come to understand, through documentation that was presented as late as yesterday, that part of that process involved decision making around the Tamar Valley Power Station and gas contracts. We know from evidence given that decisions had been made in that context and, as a result of that, potentially moneys by way of dividend could be paid to the Government.

From my perspective, the Liberal Government in Tasmania has headed down a path, driven in the first place by dividends, a strategy worked up between the March election and when the Budget was finally handed down in August. The Tamar Valley Power Station was white-anted through that period leading up to when the decision was made to decommission the station. We know, listening to TasNetworks, that it had affectively been disconnected from the grid and there was an understanding given to the national market that that was the case.

As a result of all those things the Government took us to the brink with energy security, to the extent that when the energy crisis started to unfold they made a commercial decision, not an energy security decision, to re-fire the Tamar Valley Power Station - after they had sacked all the workforce and started rehiring people to run it from a commercial point of view. We asked Hydro very specific questions about this and they told us it was a commercial decision because they had received no spring rains whatsoever, and using Basslink at 44 per cent of our total energy requirements was not commercial for them. We looked for guarantees that at that stage they would continue to maintain ownership of it but were never given those guarantees. As late as 19 January this year the Treasurer would not confirm the Tamar Valley Power Station would not be decommissioned.

All those decision were made without consulting one of our major industrials as to the extent of the decisions they were making and the cost to them. One hundred and ten per cent increase for Grange Resources, our second biggest gas user in the state, a massive increase which would put them out of business in my electorate. Not one discussion with the major industrials as to the tactics they were undertaking. It was not until yesterday that we came to fully understand the extent of the reluctance of the Government, driving Hydro Tasmania, the reluctance of Hydro Tasmania in the end, to commit to gas contracts, which has now cost us as a state, \$60 million for the on-island generation they had to bring, let alone, as we understood yesterday, the incentives to sign up to gas post-2017 which, from what I heard yesterday, is an additional \$20 million. \$80 million this Government has cost us through their decision making by not having that 385 megawatts of installed gas generation ready to go when it was required.

CHAIR - What period were you the minister responsible for the energy are?

Mr GREEN - From 2010 to 2014.

CHAIR - When you were questioning the Government in relation to the \$75 million dividend they were requiring in the 2017-18 period, you are saying you were never told during that period that the dividend was dependent upon the sale of the combined circuit unit?

Mr GREEN - We asked many questions, Chair, on a number of occasions. I am more than happy to get *Hansard* for you if you would like me to. I was, like most people, scratching my

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head, trying to nut out how it was that you go from zero to \$75 million. There had to be a strategy in place for that to occur.

I know from my own experience why that was the case in terms of the dividends post the carbon price et cetera. We could not nut it out so we asked questions specific to that. Does it rely on the sale of the Tamar Valley power station with no further gas contracts? We were fishing, but we were never given a straight answer to that. It is not until yesterday that it became abundantly clear that decisions had already been made, otherwise they would not have told the Tasmanian Gas Pipeline Company they would not require gas post-2017. Everything they have said since November has been a lie when it comes to this issue, because a decision had been made.

Do not worry about the fact they had sacked the workforce that were operating the combined cycle unit, that decision had been made. We know that is a fact. A press release from the minister himself said that they were decommissioning the Tamar Valley power station - I think it was on 19 August. There was no mention of energy security through that process. My contention is that as they worked through this process they understood full well there would be load-shedding requirements around their strategy, not only from major industrials but from domestic customers. To sign off on that, let alone the cost of gas, 200 per cent for Cadbury and other places, the cost of gas would go up as a result of Hydro Tasmania not utilising the pipeline. The cost of the pipeline usage would have gone up massively for those other customers.

We asked many question about this, Chair, and we were never given a straight answer. This committee has been used as a foil to asking questions about it because what they said was that it would all be exposed under this committee, and it has been. The truth is finally coming out now with respect to the decision-making. There are other letters and correspondence that we are trying to understand, the advice from Treasury as to whether or not this was a smart thing to do or not. All of these things need to be exposed through this committee. That is why I am very pleased to have the opportunity to speak on it.

CHAIR - Just on that, and my understanding of the information and evidence provided yesterday, and the committee members will put me straight if I am wrong on this, was that the position in relation to the sale of the combined circuit unit at Georgetown, Tamar Valley, was the position of Hydro - that they had indicated, as I understand it, in documentation to the Government that the provision of the dividend that was required in 2017-2018, would entail the sale of the CC at Georgetown.

Mr GREEN - That is as I understand it, Chair.

CHAIR - It was not the Government saying to Hydro Tasmania, 'You will need to sell that to provide us part of it.'

Mr GREEN - You can think that if you like, Chair, but it is not -

CHAIR - No, I am just putting the evidence that came through yesterday.

Mr GREEN - I know. You can think that if you like, but it is not right.

CHAIR - Not right. You tell me -

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Mr GREEN - What happened was that they worked up a strategy with respect to the Tamar Valley Power Station of \$75 million or \$70 million, a dividend, right.

CHAIR - Yes.

Mr GREEN - They told Hydro they would be requiring a dividend. Hydro Tasmania then has to come back and say to the Government, Yes, we can potentially provide you with a dividend, but it is going to require us to do these things: number 1, decommission and sell the combined-cycle unit. That is a decision you need to make, Government. Obviously you need to think about Entura as well - we want to write down debt on that particularly. \$30 million, I think was the figure that they wanted to knock off.

I think they were looking at Barnsdale in Victoria as a generator, and maybe some other contracts, like the hospital contracts in Victoria, on gas. Things of that ilk in the first place would have been put forward to the Government. Then it is over to the Government to make a decision. They would have sought Treasury advice on that. 'Is it a smart thing to do?' they would have said to Treasury, 'to actually decommission the combined cycle unit at Bell Bay, just leaving us with the rest of it intact, but with a view then to actually finalising the gas contracts in 2017?'. I do not know what Treasury's response was to that, but somewhere in there they made a decision for that to happen. How do I know that? Because they actually went through the process of having negotiations with the gas pipeline company - exposed yesterday - saying they would not require gas. They sacked the workers. They told TasNetworks to disconnect it from the grid.

It is not a physical disconnection, but it takes a lot to turn it back around, to hook it back in. It is not a decision you take lightly. These things happen, Chair. History is amazing in many respects, but I would put it to you that if Basslink had not gone down, we would be in an amazingly difficult position now. The light would be coming on for the major industrials now because they had not been consulted, that their gas price was going to go through the roof.

Ms FORREST - And the transport price.

Mr GREEN - Chair, that decision had been made. It is not something where the Government says, 'Look, we have always had an eye to energy security. We have always been a bit twitchy about it.' That is why in my letter, even though Hydro had stuffed it, we got through RTI. It says quite clearly that the decommissioning process would be concluded by the end of December. We are always a bit twitchy about energy security. That horse had bolted. They had already made that decision. That is how they were going to get their dividend. It does not matter what they say now, they cannot hide from it. What I do not know - what this committee has done a good job in is getting people here that can provide you with the evidence that I have been trying to get for a long time.

The only thing that I do not understand now, Chair, that I expect you to get, is what Treasury said to them leading up to that point, because that is the key. The Treasurer was the one driving the dividend and it will be very interesting to me to understand what advice was provided and whether the Government was prepared to listen to that advice or take the risk with energy security and our major industrials.

CHAIR - Thank you for that. I would just make a comment that TMEC I think were clear yesterday on their disappointment at not having been notified of the potential sale of the CC unit. That all came out.

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Mrs RYLAH - Mr Green, as the previous energy minister in the critical period leading up to the energy crises of 2010 and 2014, the evidence that you give today to this public hearing will hold greater weight than any other we are likely to receive today. In light of that, could you tell the committee what you have been advised or told by the Solicitor-General in regard to attending this hearing today and the giving of evidence?

Mr GREEN - I am surprised this question is being asked, given that we had an in-camera session before, but it has been asked now so I will do my best to answer it. The Solicitor-General came to see me yesterday and gave an indication to me that there are potential legal proceedings -

Ms FORREST - Order, Chair.

CHAIR - Yes. I am considering that question very closely and it does fall into an area that could lead us into difficulties under the circumstances, so I am going to rule at this stage that that question be withdrawn.

Mrs RYLAH - That was not my intent in the question.

Mr GREEN - Why didn't you ask it at 9 o'clock, then?

CHAIR - Order. I ask that the question be withdrawn and that that matter not be pursued at all because of the potential issues that could arise from it.

Mrs RYLAH - I withdraw. Mr Green, you know we cannot ask you questions today in light of the circumstances in which this state is in at this time. Aren't you being irresponsible in making your statements here today before this committee?

Mr GREEN - I have considered this very carefully. Anything that I have to say today is effectively on the public record already. I am putting context around what I believe occurred over this last two years. Chair, I would say to you that Mrs Rylah is out of order here. She is trying to suggest that I am acting irresponsibly. I am not. What I am doing is effectively following on from Hydro Tasmania itself. Hydro Tasmania is the likely other party involved in any proceedings that might go on in future. They were here yesterday and I watched the whole lot of it on the parliamentary streaming service. They answered every question that was asked of them. They did not dodge around one. For Mrs Rylah to suggest somehow that I am being irresponsible is pathetic in the context. The ministers themselves can use their judgment and I trust your judgment with respect to in-camera evidence. I certainly trust the judgment of the people you have around you to provide you with the necessary advice.

CHAIR - I say again that we need to exercise care and caution in the areas we go down. If the Leader of the Opposition identifies with the position he has discussed with us, matters on the public record that he is able to talk about today and answer questions in relation thereto, there are no concerns with that. However we do need to be careful with any other directions we take. It is creating some angst and I would ask that we try and keep the differences of the parties out of this. This is a Parliamentary Accounts Committee inquiry and we need to stick to what our functions are without interference across the table from the parties. I therefore ask that you be very careful when you ask questions of the Leader of the Opposition.

Mrs RYLAH - Chair, I hear your comment.

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CHAIR - I would ask you not to use terms that are likely to be derogatory in any way. I ask that you withdraw any of those types of comments and stand back from them. That is not what we want.

Mrs RYLAH - Chair, as you know, I have expressed my concerns about the responsibility PAC has to the state and its wellbeing. I am trying to pursue my very strong belief that we must take the interests of the state incredibly carefully in anything we hear in evidence before us today and I am concerned, as I have expressed before, about any evidence we hear from Mr Green.

CHAIR - Order. I have already discussed that and raised that issue. We need to stick to what is on the public record that is available and the Leader of the Opposition has agreed to answer questions along that line. That is what we need to stick to in this inquiry here today, so please get back to questioning the Leader of the Opposition on the evidence he has given today in addition to the submission he has provided, and if you could direct your questions to those areas without making further comment I would appreciate it very much.

Mrs RYLAH - I will pass.

CHAIR - Thank you.

Ms COURTNEY - Mr Green, have you sought your own independent legal advice before appearing today?

Mr GREEN - Isn't this the same argument? Chair, I will just make one comment. I have been around a little while in this game; I have been a member of parliament for 18 years. I came to the committee this morning at your request in good faith and spoke to you in camera about these very issues, so people watching this today have no idea what was said there. The other committee members do. I am now being set up by these two. It is completely unfair and I want to be honest and transparent. I am in your hands, but I will not stand for them trying to suggest to me that I had taken independent legal advice. For goodness sake, I am a member of parliament and this is a parliamentary committee. It goes well beyond worrying about whether there are legal ramifications for me opening my mouth about something I am completely unaware of at this stage. The parliament is its master of its own destiny, but I have also said in camera what my views are as to how it ought to be conducted, and it is unreasonable that they undermine me like this.

CHAIR - Thank you. I do not want any finger pointing. I am trying to get control of this situation and I have explained the situation very clearly now on several occasions here today. Please direct your questions to the Leader of the Opposition in accordance with the evidence that he has given today and on the submission he has provided to this committee, which is on the public record. If we can stick to that then there are no issues and the Leader has indicated he will answer to the best of his ability in any of those areas.

Ms COURTNEY - Mr Green, in your appearance today are you putting your own political interests above the interests of Tasmanians?

CHAIR - Order; I have been through this. This is just creating unnecessary angst across the table in relation to these issues. Please just ask your questions in accordance with the evidence given and the submission and as agreed to in a previous discussion.

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Mr BACON - On a point of order, Chair, we had the meeting with Mr Green behind closed doors without the media at nine o'clock this morning, so members of the committee could have asked these questions of Mr Green then. We did not get a single question from the Liberal members of the committee. They waited until the cameras came in because they are playing politics with this issue, so I would ask you to call them to order on these questions.

CHAIR - I have called them to order and I will continue to do so. If need be, I will pass over to other members for questioning. Please continue.

Ms COURTNEY - Mr Green, in the four years that you were minister did you ever consider the sale of Momentum Energy?

Mr GREEN - No. I had several pieces of advice through the Treasury through that period with cautious about Momentum so in my discussions with Hydro Tasmania at a chair and board level there were always robust discussions about the longer-term growth strategy over Momentum, but I did not consider sale.

Ms COURTNEY - In December 2013, when the Tamar Valley Power Station was in dry lay-up, did you say to the media that you would jump at the chance to sell that asset?

Mr GREEN - We were going through a process, Chair, that we are all completely aware of. We had established the panel of experts at that time. You will remember that we were in quite a different situation. It was effectively a power-sharing parliament in the lower House and there was a lot being said about energy, and the Liberals were contributing to that as well. As a result of that expert panel, we embarked upon a process to merge the distribution and transmission networks and at the same time my responsibility was to set the retail business up for sale.

A transfer occurred at that time to Hydro Tasmania and history will tell you the government, as it was - from the Labor side anyway - had taken energy security as being paramount. We bought the power station in the first place; it was bought from Babcock and Brown during the global financial crisis. There were various junctures we were considering but then we understood that if we hadn't made the decision to get the equipment, particularly the combined-cycle unit and Trent unit, we would have fallen back in the queue in terms of being able to acquire those pieces of equipment. We were also going through a very dry period. If you read David Bartlett's second reading speech around that, you will see -

Ms COURTNEY - Point of order, Chair, I asked a specific question.

CHAIR - I will provide some allowance to get to the answer.

Mr GREEN - If you look at the second reading speech of David Bartlett about the purchase of the Tamar Valley Power Station, you will see that we always said that if there was a business that could run it as a going concern - that is, continue to operate it as a base load station into the future - we would consider a potential sale. I said we would consider the sale of the Tamar Valley Power Station as a going concern, but always with an eye to energy security.

Ms COURTNEY - You said you would jump at the chance to sell it. Did you give permission for any part of the Tamar Valley Power Station to be sold at any time?

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Mr GREEN - No.

Ms COURTNEY - With regard to Hydro dividends, we had some discussion earlier today in your opening and also yesterday about dividend policy. What is your view on the dividend policy of Hydro?

Mr GREEN - The view of the previous government was a 75 per cent dividend policy which allows for Hydro to effectively maintain its equipment and do other things.

Ms COURTNEY - When you were minister, was Hydro requested by the government to only include financial forecasts for budget years and not give forecasts for out-years because of the unusual level of uncertainty of those forecasts?

Mr GREEN - I would have to take some advice on whether the change in accounting standards came about over all the GBEs generally, not necessarily just Hydro, but I think I am correct in saying that.

Ms COURTNEY - The Tamar Valley Power Station was put into dry lay-up in 2013. Could you outline how you consulted with the MIs in the lead-up to that?

Mr GREEN - The gas contracts are maintained to 2017 and through that decision-making process in that period the power station had been used as base load up until that point. Any decisions about how the power station was being operated were operational but it was always maintained on the basis it could be started and part of the energy mix.

Ms COURTNEY - So you didn't consult with the MIs in the lead-up to the dry lay-up in 2013?

Mr GREEN - We weren't changing the strategy on gas and the long-term contracts. In other words, the plant remained viable. We weren't making decision to make it unviable.

Ms COURTNEY - So in 2013 you didn't consult with the MIs and you said you would jump at the chance to sell the asset?

Mr GREEN - If that's the way you want to portray it, you are wrong. That is not what we were doing at all; in fact to the contrary.

CHAIR - I think it's just a matter of answering the question. I intend to go further along the table at this stage.

Ms FORREST - I am just going over some of the things you have already covered, Bryan. You probably do not bore yourself with reading our transcripts, but in the GBE scrutiny committee of the Legislative Council last year we had Hydro in front of our committee. I specifically asked a number of times about the energy security issues of the Tamar Valley Power Station and they repeatedly said it was not necessary for energy security. I was trying to write down dates when you were speaking earlier. You were suggesting that decisions had already been made - our GBE committee hearings were in early December - before the Basslink failure. I am trying to see what evidence or information you had at that time that would indicate the decision had already been made to sell it, because they kept saying it was not needed for energy security.

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Mr GREEN - If Hydro Tasmania is saying to your committee that it is not needed for energy security, I think that is extremely risky. We are talking about 380 megawatts of installed generation that exists in the state and that needed to be weighed against drought conditions.

Ms FORREST - We knew about the drought at that time.

Mr GREEN - Yes, it is no good trying to give everyone a history lesson with respect to this. Any contingencies or mitigation strategies would have had to include issues associated with the cable potentially going out and a whole range of other things. Treasury and others have always provided advice to government, in my time anyway, that with the amount of energy that can be generated on an island we needed to have the backup generation as an insurance policy, and it came down effectively to the cost. I think Hydro Tasmania, in providing that advice to you, is wrong.

Ms FORREST - Under questioning from Ms Courtney, you suggested that there had been some consideration perhaps of selling the Tamar Valley Power Station as a going concern. As I understand it, the current Government or Hydro were looking at selling the combined-cycle gas turbine only, not the whole going concern, so we are talking about different comparisons here.

Mr GREEN - No, you're not. You are believing what the Government has said so far, that they were only considering getting rid of the combined-cycle unit, but in that time it has also now become evident through the Tasmanian Gas Pipeline company that they would not be requiring any gas at all post-2017, which means that the whole power station, effectively, would not be required.

Ms FORREST - Is there no value in the older generators?

Mr GREEN - There are three parts to the Tamar Valley Power Station, as I am sure you are well aware. There is the combined-cycle unit, which is by far the most efficient part. It is a 208 megawatt machine and it is efficient because you get two bites of the cherry with gas firing the turbine and the hot gasses.

Ms FORREST - You cannot fire it up quickly, they told us.

Mr GREEN - No, it takes a little bit of time to fire. You have the Trent unit, which is the 60 megawatt machine, and then you have the three other peaking generators, which are effectively jet engines with a turbine on the end. Remember, honourable member, that those peaking units were purchased at a time when we were in a very dry period in the early part of the 2000s.

Ms FORREST - The last drought - I remember.

Mr GREEN - The other thing that needs to be borne in mind here and what annoys me about this whole thing is that people never learn from the past because of this dividend strategy. We converted the oil-fired Bell Bay power station to gas which was an important part of getting gas to Tasmania. We were the big customer. Governments have to intervene from time to time to move things on. The gas pipeline was actually put forward by Tony Rundle in the first place, if the truth be known, but in the end decisions needed to be made about gas conversion of the Tamar Valley Power Station, then an oil-fired station, to allow for that to happen, which then allowed other customers to come online.

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There is a sovereign risk element associated with this from my perspective. It is all right for the Government and Hydro to make these decisions in isolation but they have massive ramifications, and that is why I believe they have acted completely irresponsibly.

Ms FORREST - Bryan, I am interested in the government's decision at the time to transfer the Tamar Valley Power Station to Hydro. It made sense in lots of ways to transfer all the distribution network to the one network service provider, formerly Transend and changing it to TasNetworks. In previous GBE committee hearings over a number of years it was evident the Tamar Valley Power Station was a bit of a burden around Aurora's neck and had a drag on their financial performance, and then the decision was made to transfer that to Hydro. We were told by I think it was Mr Aird in our Chamber when we debated the purchase of the Tamar Valley Power Station that it was put with Aurora on the advice of the ACCC, so obviously something changed so that your government could then put it with Hydro. I would like you to explain a bit about that process and the decision making around that.

Mr GREEN - You are correct, the Tamar Valley Power Station was purchased from Babcock and Brown and decisions had to be made about where it would be located within the energy business portfolio. Because Hydro Tasmania had a monopoly over generation in the state and this was to be utilised as a base load station, the ACCC had a view that it should be managed separately from other Hydro generation to provide competition within the market et cetera. Obviously there has been an unhappy history with their ability to bid into the market and the way Hydro operates. It is very difficult to play an active role in that as minister - and I am sure you will get advice on this from the committee - given the rules associated with bidding and how that can occur and sometimes people deeming it as predatory behaviour and a whole range of other things. It made for an unhappy experience. I am not speaking out of turn here; it is well and truly documented. There were claims and counterclaims made about how Hydro and our own two energy businesses interacted through that time.

As a result of the legislation coming before the House to merge Transend and Aurora distribution, decisions had to be made. It was impossible to have that generator linked to a distribution and transmission network operating business.

Ms FORREST - They could not stay with the retailer?

Mr GREEN - No. We were positioning the retail business to be sold and the gas-fired power station in the Tamar Valley was not deemed to be something that would be adhered to in anything from the point of view of getting a sale. We were trying to get competition into the market. The advice was that we separate the customer base into two and do our best to go to market and sell that to provide competition within the market. It was all about cheaper energy prices for domestic customers. That was the instruction of the Parliament. I found it interesting looking back at the time line last night in some of the old parliamentary presentations made that we achieved all those time frames. Interestingly, the Government is claiming savings made, but those savings were made from bringing together distribution and transmission as part of that whole process.

The configuration and operation of the Tamar Valley Power Station changed then as a result of it going to Hydro Tasmania. It was not then to be used as a base load generator. It was part of the -

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Ms FORREST - Is that why the ACCC advice might have changed, because I can never make the connection as to when it changed?

Mr GREEN - Yes. It was part of the mix and not base load. As to the cost of keeping it operational, there has been an argument about how much that is. My advice in more recent times is that it is effectively a \$9 million a year insurance policy for the state to have the Tamar Valley Power Station fit for purpose and ready to run. That is the sort of insurance you need to pay to be able to -

Ms FORREST - So \$9 million a year, effectively an insurance policy. We talked about this and I think other figures have been bandied around such as \$20 million or \$12 million. You are saying \$9 million. What cost component makes up the \$9 million in your view?

Mr GREEN - The gas component and the salaries of the employees.

Ms FORREST - So the care and maintenance-type crew.

Mr GREEN - No, a bit more than that. You need to have a crew effectively ready to run. They made a decision to get rid of that crew and then hire them back. I'm not sure whether they're still hired on contract up there or what the go is.

Ms COURTNEY - Mr Green, which entity was responsible for energy security in the four years that you were minister?

Mr GREEN - As minister I and the government had responsibility for making decisions about the overall mix and energy security.

Ms COURTNEY - So you had responsibility for energy security over the four years?

Mr GREEN - Obviously the businesses had responsibility and the government had responsibility for making decisions and providing direction around energy.

Ms COURTNEY - In 2013 when the Tamar Valley Power Station was in dry lay-up and you told the media that you'd jump at the chance to sell it, did you still have responsibility for energy security, and did you put in place any measures to ensure energy security for Tasmania at that time?

Mr GREEN - Yes, I did. We built Musselroe wind farm, with 168-megawatt capacity, and we effectively maintained the Tamar Valley Power Station as it was, fit for purpose and ready to generate.

Ms COURTNEY - Even though you said you'd jump at the chance to sell it. Were there any conditions on it?

Mr GREEN - Ms Courtney, with all due respect, that is not what I said. You are trying to link two things here. It is true that I took responsibility for the legislation and the changes that were being made through the Parliament of Tasmania as part of the transfer of those assets, whether it could potentially be sold as a going concern, as a base load power station for Tasmania, but to say I was prepared to decommission and get rid of gas contracts, pull it to pieces and sell it

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off is simply not true. It does not matter how many times you try to run the argument the other way, it is simply not true.

Ms COURTNEY - During your time as minister, did you embark on negotiations for further gas contracts into the future?

Mr GREEN - I certainly had a number of meetings with the gas pipeline company about their business and their view of the future, but in terms of negotiations, no.

Ms COURTNEY - Okay, thank you.

Ms FORREST - I know you had a shared government, or whatever you want to call it, with the Greens in the period around 2010 onwards. There was a review commissioned into an extra interconnector with a view to increasing renewable energy in Tasmania. Can you inform the committee about the government at the time's view on that?

Mr GREEN - There is a couple of parts to that. Obviously federal policy changed through the Abbot government period. We were actively and transparently looking at potentially building a significant wind farm on King Island, exporting that energy into the mainland grid, and then thinking about the context of bringing a cable back to Tasmania to link it through the TasWind project to the mainland, which would effectively provide for a second interconnector on a commercial basis. What they are talking about now is a new regulated link.

Ms FORREST - You were not looking at a separate link? Was TasWind initially there?

Mr GREEN - No, because we did not think, and I still find it hard to see how you are going to be able to get all other states and jurisdictions to agree to have a regulated link from Tasmania to the mainland. The minister, Matthew Groom, talks about it in the context that it is fairly easy to do. I have been at many ministerial council meetings in my role as energy minister; from two occasions that I had a go at it, it is not as easy to get New South Wales, Victoria and other jurisdictions involved in the NEM to agree to regulated arrangements that are going to cost them money for no good purpose.

There is that aspect to it. You can take some advice, obviously, as to what I am saying is true or not. In my experience, that is true. Getting a regulated link across Bass Strait in the first place, from a political point of view, with other jurisdictions is pretty difficult.

Other than that, building the case for a second Basslink interconnector has to be done. We have thought about this a lot from Opposition. Our view is that the energy crisis should at least allow us to wake up to the fact that energy security must be front of mind when it comes to future energy requirements.

The Government suggested early in its term that they wanted to utilise energy as a driver of our economy. We feel the same way about that. The only way we can see that can happen is to develop some more on-island generation, but to counter that, a built industry around utilising that on-island generation and try to change the way Tasmania operates into the future. It is almost back to the future when it comes to utilising electricity for transport and we know that technology is changing so dramatically.

Ms FORREST - Are you saying within the state more than export?

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Mr GREEN - Yes. I know export has been tarnished in recent times, the whole argument about exporting energy, but if you run your business correctly and keep an eye to energy security, there is no reason why you cannot make money from our clean energy. We should be able to do that into the future. You have to have an eye to energy security and you have to have an eye to continue to develop our renewable resource.

If we develop another thousand megawatts of on-island renewable resource tomorrow, it would be wasted. Nobody would invest in it anyway as it stands right at the moment. If we do it incrementally and start to build a case for a second Basslink in the future and start to rebuild confidence with the Tasmanian people, then we can actually do both things.

Ms FORREST - Your party supported a feasibility study into the second interconnector. You have said yourself that you find it hard to believe that could be a regulated link. We heard from a range of other witnesses yesterday and I believe you have watched all of them, to basically say the same thing.

Mr GREEN - I paid big money, it was very entertaining.

Ms FORREST - The feasibility study is not at insignificant cost. You are backing it. Why are you backing it?

Mr GREEN - I was being flippant about the entertainment here yesterday. It is true, yes we have. At a national level, certainly, our federal counterparts have said that they would provide an amount of money. This Government provided \$50 000 to have Warwick Smith have a look at whether an interconnector is feasible.

If you have a view, and I have a view too, that it would be great if we could fully develop Tasmania's renewable asset to the extent that we could really make it work for our state - yes, without any doubt, fantastic.

Ms FORREST - You do have to have a balance, though. You cannot have all wind; look at South Australia and the problems they are having.

Mr GREEN - No, all your inertia issues need to be balanced and it is very technical from that point of view, but it can be done. You need baseload. There may well be other baseload opportunities that come along. There is geothermal and a whole range of other things that people often talk about.

Ms FORREST - Do you have other information that you could provide to the committee about the work done on, not a second interconnector as such, the cable back from King Island and to it, in terms of policy?

Mr GREEN - Unfortunately, I do not have any more of the information that I used to have at my fingertips as minister, but I am sure on the public record there are still reports of the TasWind project, yes.

Ms FORREST - So there is nothing outside that is not on the public record?

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Mr GREEN - They are getting it up on King Island now, though, now that all those golf courses are being made.

Ms FORREST - The problem was we had a lot of mainlanders come in and cause trouble over there.

Mr GREEN - It was a difficult period on the island. We did cause a fair bit of division over there I admit, but we really did have an eye to try to then exploit particularly the west coast wind farms, Robbins Island and those.

Ms FORREST - My electorate, too. I know, I was there.

Mr GREEN - Given the policy settings nationally were favourable at that stage, we were trying to think of ways we could bring that off the hooks, but unfortunately it just did not come to fruition.

CHAIR - My question is in relation the past months of the critical situation we were confronted with our energy in this state. What is your view in relation to the way in which that was managed and handled? Do you have a particular position on that, and where would you have gone?

Mr GREEN - My view is, Chair, that people's minds have been made up through that really critical dry period in the spring, when spring rains were expected but they did not come.

If the Government had been operating under normal circumstances, not having made decisions back in February at some stage or whenever it was, certainly in August or November 2014, around that time, about how they were going to move forward with the Tamar Valley Power Station, they would have been thinking about operating the power station, making plans for that to happen, leading up to the crisis. This is before Basslink went down. The only reason I have credibility in this regard is that we actually raised the issue.

The Government says, 'Oh, but you didn't tell anybody to start it up.' Well, I did not have to because I was saying that Bell Bay is an important part of our energy mix and it should be considered as such. For some reason, it is not being considered as such. Remember, it costs \$60 million to bring 200 megawatts - I think initially 100 megawatts, if I remember rightly - of diesel generation initially on line.

I know the Trent unit was away. It was discovered that the Trent unit was away, but we certainly had 208 megawatts already in store. They spent \$60 million to bring diesel generation to the state when we already had 208 megawatts of gas generation sitting here. They were persisting with the sale of the Tamar Valley Power Station at the time of a massive drought and we were using the cable at 44 percent at that stage. Forty-four percent of our energy requirement was coming from the mainland. It just did not make sense to me. I would have been running the power station leading up to that point. I would have been saving water as part of that in the normal way, and that would have provided the necessary energy security and would have ensured that we did not have to spend all that money on diesel generation.

Ms FORREST - Mr Green, you say you would do this, you would do that, surely Hydro Tasmania are the operators. Who do you mean?

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Mr GREEN - I would not have pushed the button on the sale and the gas contracts. It is a mindset thing. They had made their mind up. That is why the Government did not act appropriately, because they had already made their mind up that it was no longer going to exist. That sale had to be completed under their own hand by the end of December. You see, if they started to use it again, that whole strategy is shot to pieces. How could it be? So, that is where they made the mistake. They had a mindset. Matthew Groom white-anted the power station day in, day out. He and the Treasurer said it was the worst energy policy decision in the state's history. That is what they said. They believed they knew better. Hydro put a position to them, in my view, to achieve their dividend goal and they accepted it. Once they pushed that button, it does not matter what they say to the industrials now, it was going to occur. What the industrials are dirty on is the fact that they did not even tell them. They had not thought about - it amazes me - the ramifications of actually not having a gas contract for all those other businesses. I cannot understand them, honestly, and I have said this ad nauseam, but they have pilloried me in reverse. It is just ridiculous. That is why I am actually very pleased to be sitting here today, supposedly getting this terrible grilling as to how I put the state in this position. Of course I did not. We always had an eye to energy security and the contingencies required to do it.

I can say this that I have not said before: when Hydro Tasmania received their equity injection, which must have been sometime around 2008-09, they went off and built a wind farm in South Australia. When I came in as minister, at the first meeting I had with them I said that I believed they had let the state down. They had made a decision to invest on the mainland when they should have been investing in Musselroe. Musselroe was difficult but that was the decision they made. Perhaps they made it for commercial reasons, I do not know. I said to Hydro Tasmania at that time, 'What we have to do is bring this project to fruition if we can and I want you to allow me to understand how it can be done.' In the end they did joint ventures and various other things and we had to build transmission out to Derby and do things to make it happen, but the upshot was that we received 168 megawatts of on-island generation which further enhanced our energy security.

CHAIR - Yesterday TMEC were commending the government on the position they took in this critical period in sustaining and bringing the extra energy into the state. I think you said you were listening to most of the sessions yesterday. That is the way they saw it. You are saying that there was no need for the government to go down that path had they used the Tamar Valley Power Station in its right form and right way. What you are saying is that there was no need for these diesel generators at all, had that process been developed at the right time?

Mr GREEN - I am absolutely saying that without any doubt. The Trent unit would have come back into service a little later. They would not have been able to use that, but certainly the combined-cycle unit would have been able to be used.

Matthew Groom's press release made it very clear that the power station was not in dry lay-up, it was being decommissioned, finished. Look at what TasNetworks said. That decision had been made. There is no coming back from that. Your committee, in the end, if you get the necessary documentation, will discover that.

As to the workers and how they managed to bring diesel on-island and all those things, they did a fantastic job. TasNetworks and all those people are to be well and truly commended for their effort, but it cost us an enormous amount of money and should not have happened. To get a \$70 million or \$75 million dividend they cost the state \$80 million and undermined confidence in our state and our energy security in the process, big time. It is going to take an enormous amount

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of effort to repair it. This is a document that Matthew Groom stood beside, which had been worked up with the major industrials - they were on the committee, had them completely in their confidence - about how they were going to move forward with their energy strategy. I do not have it in front of me now but it is a government document. At the very same time they were doing that they were making decisions to put a stake in the heart of Grange Resources and others who would have been gone under that scenario with the gas price increases. Cadbury is already on a knife's edge, as we have seen, making people redundant et cetera. Their gas prices would have gone up over 200 per cent. If that course of events had been followed it would have made a massive difference.

CHAIR - The document to which you refer is probably the one titled Restoring Tasmania's Energy Advantage.

Mr GREEN - Yes. They were working with the major industrials - in fact, they made a big thing of it. I was thinking to myself, 'Good on them, they're actually making some progress here'. When you have been minister you sometimes think to yourself, 'I would like to be in government right at the moment and I'd be doing this and that'. You would be trying to think of ways to make energy work for the state. It is an exciting time to be in the energy game because, even though demand is falling and there are challenges with solar and other things being installed, the technology is moving at such a rapid rate now that if you start to position the state from a policy perspective you can allow Tasmanians to see the future. In Tasmania, where the rest of the world wants to get to by generating by far the majority of our energy through renewable sources, if we take the next part of that platform we can make Tasmania a standout around the world with sustainability.

CHAIR - Tasmanian Gas Pipelines makes comment on efficiencies to be gained and providing energy at the lowest possible rates. Has that been accomplished, in your view? Have you looked at that document? What is your view in relation to it?

Mr GREEN - The decision made at a national level on the carbon price meant there was a reduction, even though people had been compensated leading up to that point. It was mission impossible to run the argument against it on sustainability, climate change and all the rest of it in the face of what Tony Abbott and others were saying at that time. They were successful and the carbon price was cut, which meant there was a reduction in energy prices overall. I notice, interestingly, that when the Liberals in the past said every energy increase was down to me, now they are saying, 'Oh no, it's all regulated, as you know'. Of course it is regulated. The regulator takes a whole range of things into consideration as part of the increase in energy prices, not least of which is the cost of supplying distribution and transmission.

During my first time as energy minister I happened to be in a position where our infrastructure was 30-40 years old and our distribution system was wracked with problems, so we had to spend around \$600 million to make our distribution system fit for purpose. From Transend's perspective, we had to build the Waddamana to Hobart parallel line to ensure our state, particularly the southern part, had reliable energy supplies. Plus, we had to make some various other loops here and there to ensure that if a tree fell over a line somewhere they could get energy back the other way. We spent a lot of money at that stage but we had to make our system reliable, which meant energy prices went up because the regulator said the businesses could charge for it. It was not because Bryan Green thought, 'It would be a great idea if we charge people more for their energy'. To the contrary, we were trying to make decisions to set us up for a long-term future, and we did that.

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Mrs RYLAH - I would like to return to the gas contracts. Why did the Labor government not extend the gas contract in 2008 when the Tamar Valley Power Station was built or again in 2013 when it was transferred, as these were key and significant changes to how gas was going to be used in the state and it was a key opportunity?

Mr GREEN - The gas pipeline came in part as a result of us converting the old oil-fired power station at Tamar Valley, the one that existed for a long time, to gas. The government participated by putting \$40 million forward to assist with the infrastructure rollout of gas around the state. At that time we also made provision for a conduit to be laid for the NBN rollout into the future, which has helped the NBN Co an enormous amount to have it there. I would have to take advice, but when that change was made to the new Tamar Valley Power Station, I am not aware of any contractual negotiations taking place, given that the expiry date of the contract was 2017. It certainly was not in the front of mind from my perspective, that I should be thinking about renegotiating a gas contract at any of those various junctions.

Mrs RYLAH - As there were significant changes in the use of gas, particularly on the conversion, as you mentioned, is not the current gas contract situation, where we have had very high LNG prices, now in comparison to those times an absolute hangover from your decisions of your Government in 2013 and 2008?

Mr GREEN - No, not at all, because there is an argument about gas prices up and down the eastern seaboard, I will grant you that, but that is not of my making, or the role of my decision-making. It is about an argument as to whether or not there should be international parity paid for gas produced in Australia - that is, we pay the same as what we are selling it to Japan for.

That has been the argument with respect to that. There is also an issue on the way that the gas market and the gas infrastructure is regulated, which is another issue that needs to be considered. It needs better brains than mine working on this at a national level without any doubt. Is gas an important component with respect to on-island here in Tasmania? Yes, it is, absolutely. Was the Government involved in making decisions to bring gas to Tasmania? Yes, it was.

Did Hydro Tasmania's business have some involvement in that through take or pay arrangements et cetera? Too right it did. Would gas have come otherwise? No, it wouldn't. Has it made a difference to the viability of businesses in Tasmania? Yes, it has. Will gas prices going up along with international parity have an impact? It may well. But they are market decisions that are beyond my control. From my perspective, if Hydro was looking at this and the Government was looking at it from the point of view of saying, 'All right, we will get out now, that will save us a big quid out on into the future', and therefore abandon everyone else, that is completely irresponsible as far as I am concerned, and un-Tasmanian.

Mrs RYLAH - In 2008, when there was a major change in the usage of gas in this state and your Government was looking at what we would do in the future in regard to gas, you did not see any opportunity? You did not take that opportunity to renegotiate?

Mr GREEN - No, I did not - 2017 is a long way away from 2008. To start renegotiating 10 years effectively before it has expired, I don't think so. It was sort of like-for-like anyway. It was still a gas-fired power station except that the old power station was completely inefficient. It was an old oil-fired power station that effectively we just had to put gas burners in underneath where

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the oil used to burn and just burn it that way. It was an old steam-generating facility as opposed to a gas turbine facility. The efficiencies associated with that gas actually increased, so no.

CHAIR - Just on that point, you were the minister up until 2014. At the time of the election you would have been aware of that contract, I would have thought, at that time. We are only talking about three years, so not 2009.

Mr GREEN - No, but she asked me about 2008.

Mrs RYLAH - And 2013.

Mr GREEN - Yes, in 2013, it was something that was getting closer. Did I send out the charges to start renegotiating? No I did not.

CHAIR - At the time your Government was involved, and you have identified that, of bringing gas in to this state, and the changeover from oil to gas, the Government, as I understand it, had a clear position on where gas would probably go in this state. Yesterday, and it is in the submissions provided, Tas Gas pipelines are saying it never met that position that the Government identified that it would meet or should meet. Can you give any explanation as to why it hasn't and what you did about that in your term as the minister responsible.

Mr GREEN - We had set projections on the number of households that the gas would go past. I think there is a difference between building a new infrastructure where you have no history of the use of gas compared to a long and sure market - for example in Victoria, and Sydney and places like that - where people have used it forever. We built gas infrastructure to go past houses and unless their hot water servicing or something mucked up there was no reason for them to put gas on.

Hydro and others were saying - and Aurora competing from the energy perspective with heating sources - that gas was automatically the first choice when it came to people connecting. The connections by the number of houses even then that we went past was probably not what we expected or what the pitch was to us in the first place. That is simply because of domestic consumers choosing not to make themselves available. I am one of them. I have got gas past my place but I have not hooked onto it because I have electrical heating. If the hot water service broke down, would I maybe consider getting gas, well, yes, if gas was an option yes, that is principally the reason. They would argue that the state probably ought to put more money in to help them with infrastructure to roll it out further. What I would say is that, at this stage anyway, that time has past and it would be up to the gas pipeline company to build more infrastructure, particularly for new subdivisions and places where people have options.

CHAIR - Unless there are pressing questions that have not been asked, any areas we have not gone into I would call -

Mrs RYLAH - Not out of camera?

CHAIR - Are you suggesting that you would like to go in camera for questions?

Mrs RYLAH - Give me time.

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CHAIR - Bryan, Are there any additional things you would like to say before you leave, anything you have not said and you would like to say to the committee?

Mr GREEN - I think there was supposed to be hell to play from my perspective when it came to giving evidence today. The truth would come out. I have made myself available to questions from each and every member of the committee and it is my hope now that people will understand that I have been operating in good faith. The questions I have been asking of the Government have been legitimate. To commend you, Chair and your committee, you are actually starting to get to the bottom of this issue. My hope is that you take a further step with respect to a full independent inquiry as to the ongoing future of energy requirements for our state and how we might cope. The fact that we have the Government with its own hand-picked group working now with a lag of at least six months with major industrials and others, twiddling their thumbs, waiting to know whether they can invest in Tasmania, is no good as far as I am concerned.

CHAIR - Bryan, we thank you very much for giving your time, and for attending here earlier this morning as well. We appreciate the way you have answered questions and the way you have reacted to situations within this Chamber today.

THE WITNESS WITHDREW.

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Ms CASSY O'CONNOR, LEADER OF THE GREENS, WAS CALLED AND EXAMINED.

CHAIR - Welcome, Cassy. You have provided a submission to the committee and that has been available to all of us for some time now. I will give you an opportunity to add to your submission or make any further statement.

Ms O'CONNOR - Thank you, Chair; I very much appreciate the opportunity to present to the committee. I just want to flag with you all that I did the Sleep Out for the Salvos last night and only had about two hours sleep, so if I'm slurring my words it's not because I've been imbibing before breakfast.

This reference to the Public Account Committee is extremely important. As I am sure you know, the state's energy security is a foundation of our economic and social wellbeing. I was staggered last night when I read the press release from the Treasurer and the Minister for Energy indicating they would not be appearing before this inquiry. Obviously I do not have access to the Solicitor-General's advice and I do not want to cast any aspersions on the Solicitor-General -

CHAIR - They will be appearing at some stage.

Ms O'CONNOR - I hear that, but it raises the question: what information has the public not been provided with to the extent now that something is potentially so serious legally that the two key ministers and shareholder ministers in Hydro Tasmania cannot appear before this committee? I think it would be reasonable to ask what question was the Solicitor-General -

Committee proceedings interrupted due to power outage.

CHAIR - We will resume, and to make sure we capture everything we will start again.

Ms O'CONNOR - Thank you, Chair. On behalf of the Greens I really appreciate being given an opportunity to make a submission to this inquiry and to present personally. I hope the committee will appreciate that the Greens have a quite unique perspective on these issues and have for a long time, going right back to Basslink, and also our relentless advocacy for renewable energy in Tasmania and our concern the state hasn't been acting aggressively enough to increase its renewable energy capacity.

Apparently the two shareholder ministers in Hydro are not able to attend today's hearing, as I understand it, on the basis of advice from the Solicitor-General. I don't want to cast any aspersions on the Solicitor-General but I think a lot of Tasmanians will be disappointed the two key ministers have not fronted today, because while members of the public and members of parliament can be critical of Hydro's actions in the lead-up to the energy crisis, ultimately the buck stops with the Government and minister of the day.

Our submission fundamentally puts the case that Hydro Tasmania was put in a very difficult position in 2014 when it was told by the Liberal Government it would be required to produce a \$75 million dividend to government and therefore it wrote its corporate plan accordingly. There is also, as the committee is aware, a dividend policy that came into practice when the Liberals took office which requires government business enterprises to give to government 90 per cent of their after-tax profits.

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Our submission fundamentally is that the pressure on Hydro to produce revenue for government created a situation where it was making decisions that were not necessarily in the best interests of Tasmania's energy security and power customers in Tasmania. The most stark example of that is the decision that was made last July-August to start exporting at quite high levels over Bass Strait when we knew there was an Indian Ocean dipole affecting weather patterns on the west coast of Tasmania and a large El Nino event affecting weather patterns on the east coast of Tasmania. We were moving into a drought period, storages were at very low levels, and yet Hydro Tasmania continued to export power to Victoria across Basslink while at the same time selling its gas on the spot market rather than firing up the Tamar Valley Power Station. What should have been happening at that time, given the level of the dams, was that we should have been firing up Tamar Valley Power Station rather than selling the gas.

In our view, Hydro Tasmania was placed in a very difficult position financially where it knew it would have to produce dividends for government. That said, the whole structure of GBEs having to return dividends to government has created a situation, not just in this government but in the previous government, where Hydro felt the need to export power in order to make a profit. Ultimately Hydro's responsibility must be to the people of Tasmania, but we would put that the shareholder ministers have created a very difficult situation through the dividend policy and the pressure to produce an income stream for government.

Ms FORREST - There has been a bit of a misunderstanding in the community generally about Hydro generating energy and selling it across Basslink before it broke. There are two systems: a run-of-river system and the storages. There has been great criticism of Hydro over a period for exporting, particularly leading up to the breakage of Basslink. No-one could predict that, obviously. As I understand it - and I have not had this confirmed by Hydro - most of that generation was run-of-river and if you don't generate run-of-river it spills and you lose it and it wasn't drawing down the storages at that time. I accept your point about rather than selling gas on the spot market they could have been using that to generate energy with the weather patterns that were forecast, but when we talk about generation of energy through water and selling it we should be clear we are talking about drawing down storages rather than just run-of-river.

Ms O'CONNOR - I take your point, Ruth, but the issue here is that as a result of the construction of Basslink, which Tasmanians were told was critical to our energy security, it created a circumstance where Hydro was able to - not just recently, but ever since the construction of Basslink - start exporting power to the mainland, whether it be through dam storage or run-of-river. As a Green and a person who wants to see Australia reduce its emissions, if we have surplus power here to share with the rest of the country to reduce the amount of coal-fired power, we should be in a position to sell it onto the mainland and bring a return to the people of Tasmania, but it wasn't that clean-cut because Hydro has been selling hydro power into Victoria at the same time as importing significant quantities of coal-fired power. Towards the end of last year, as I understand it, the mix for us was about 40 percent coal-fired power coming in across Basslink at the same time as Hydro was still selling onto the mainland.

We would argue that Hydro's core responsibility is to meet the needs of the local power market and if there is surplus there, to sell it into the mainland. I do not know the details of whether it was run-of-river or storage power at that time but the fact is that storages were at significant lows and the Bureau of Meteorology had made it clear that the state was heading into an extended dry period. There were pressures on the energy system at that time and knowable pressures that were coming that should have created the situation where Hydro was thinking very carefully about how much it exported into Victoria. I go back to the point: I believe that in

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significant part, Hydro's conduct here has been as a result of pressure from government to return a dividend under a dividend policy which, in my time in politics, is unprecedented at 90 per cent of after-tax earnings.

Ms FORREST - I accept your views on the dividend policy of 90 per cent. That is a matter for governments obviously but it does put pressure on. Whether it is 70, 80, 90 per cent or whatever, there is an expectation that Hydro and all our government businesses ideally would make a return to government and then we can provide health, education, infrastructure for the people of Tasmania for their benefit. There is an expectation there. There has been criticism that Hydro caned the system during the carbon tax period but I, for one, would have criticised them if they didn't. It maximised their opportunities to make money for the state, all within parameters; it needs to be managed and done appropriately.

I come back to the point that if it is run-of-river generation, you are right, we should be using clean green energy wherever we can. If we are not using that, and if we do not have the need at the time of day or time of year when we do not have those energy requirements or demands in Tasmania - which for us is winter generally while on the mainland it is summer with their air-conditioners - the run-of-river power should be used to export that clean green energy into the national grid. Once it is in there you cannot separate it out.

Ms O'CONNOR - That's right, but the fact is in the four days before the cable went down Hydro was exporting power into Victoria while the dam storages were going down at the same time.

Ms FORREST - Was it run-of-river they were generating at that time?

Ms O'CONNOR - I don't know exactly what mix it was at that time. Maybe Hydro made it clear it was all run-of-river power.

Ms FORREST - They need to if that was the case, I would suggest.

Ms O'CONNOR - If it was all run-of-river power and was not draining the storages, that is a different equation, but I would argue that not all of the power Hydro was selling into the Victorian market was run-of-river and the dam storages were in decline at the time Hydro was exporting. It would be really good to have some clarity from Hydro about the mix they were exporting into the mainland. I come back to the point that there is pressure on Hydro, our major energy GBE, to be making a return for government and therefore the people of Tasmania, but the dividend policy created a very high expectation and level of pressure on Hydro that made them express a wish to sell the Tamar Valley Power Station in order to meet the \$75 million ask from the state government.

It would be good to understand where that decision to sell the combined-cycle unit came from fundamentally. Was it because Hydro felt it needed to return that \$75 million dividend, was it because they recognised that the Tamar Valley Power Station is an expensive asset? I am not sure of that. Tasmanians were told that Basslink was about energy security and what it became was a funnel to export power to the mainland and import dirty power into Tasmania. It also made the state lazy because instead of looking at how we can increase our renewable energy capacity, how we can have more distributed generation, how we can have a smarter grid, it has made us complacent and that became really clear when the cable went down. We spent all that time since Basslink was installed as a state not looking at the future in a clear and strategic way about the

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fact that we are heading into dryer climatic conditions. Our reliance on hydro power in the era of climate change makes us a bit vulnerable so we needed to have a greater mix of renewables and we did not get there before the cable went down.

Ms FORREST - On that point, the Greens' policy I guess is that clearly there needs to be a mix of baseload energy if you do not have wind in the mix because of the inertia and stability of the system issues. Would the Greens support the development of further hydro systems?

Ms O'CONNOR - Where are those further hydro systems? I am not a hydrological expert but I think we have tapped into a very significant part, if not all, of the major hydro-generation capacity. We are moving into a time where power customers are making their own choices and they are making choices for solar, geothermal on site and battery storage is coming on line. The market is actually shifting significantly and we provide greater energy security if we have more distributor generation, ultimately.

Mr BACON - As a follow-up question, do the Greens support the retention of the Tamar Valley Power Station as an insurance policy against drought?

Ms O'CONNOR - That is absolutely the best reason to keep it there. I know it is an expensive asset liability, I recognise that, and the price of gas around the country and around the world is skyrocketing. What this summer told us is that we need a really solid backstop and the backstop is the Tamar Valley Power Station. We have got the asset there, we paid for the gas and we should have been using it when the drought was escalating towards the end of last year.

Mr BACON - So why weren't we using it, in your opinion?

Ms O'CONNOR - I think the state was not using the Tamar Valley Power Station because a decision had been already made to mothball it and to sell the combined-cycle unit, which is the functional part of the power station itself. I think there was a level of regrettable complacency about the Basslink risk scenario about the cable going down. Unfortunately, I think there was an element of 'She'll be right, mate, if the dam storages get too low, we can just import more from Victoria.' But when the cable went down, that of course exposed our extreme vulnerability. Then we were in a lag situation because Tamar Valley was not operational at that time and Hydro was selling Tasmania's gas into the mainland market.

Mr BACON - Is it your contention that it is the dividend policy of the Government that has driven those risky decisions?

Ms O'CONNOR - I think it is unarguable that when the Liberals came into office and established a dividend policy of 90 per cent after tax profits, the pressure put on all the energy GBEs, particularly Hydro, which has the highest revenue earning capacity, became quite unsustainable and led to some risk-taking approaches. Our vulnerability was exposed with the failure of Basslink.

CHAIR - Going to the run-of-river that was being used by, we are told by Hydro, and that is in the *Hansard* from information coming to this committee as well. I suppose you could say, couldn't you, that because the lakes were already at a reasonably low level, if run-of-river had been allowed to remain within the lake we would have had a higher level.

Ms O'CONNOR - Topped up.

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CHAIR - Is that what you were saying?

Ms O'CONNOR - I don't know. I am not a hydrological expert.

CHAIR - The decision to sell Tamar Valley, to get that into perspective, as I understand it, the Hydro had recommended it to the Government, I think the sale of part of that facility, and the Government then had put in place, as I understand it, conditions to ensure that there was energy security across the state, and they had not actually agreed to the sale of it without all of those conditions being adhered to or put into place. Is that right?

Ms O'CONNOR - That is what we have been told. It is still unclear to me, and I think to a lot of Tasmanians, about that decision-making point on the sale of the functional part of the Tamar Valley Power Station. It is -

CHAIR - The CCGT unit, I think.

Ms O'CONNOR - Isn't it clear, even from what we can glean from the Energy minister's statements, that the matter had gone to Cabinet and that Cabinet had made an in-principle decision to enable Hydro to put the combined-cycle unit on the market? You can get into an argument about what some of those words mean, but ultimately Hydro was clearly under the impression that it had been given the go-ahead to seek a buyer.

The Tamar Valley Power Station, for all intents and purposes, was on the market in a time of drought and low dam storages. That placed us in a very vulnerable position from which the state still has not recovered. We still have a very significant diesel generation debt. There is all that revenue that was foregone from Hydro not being able to secure renewable energy certificates. The major industrials, which are an absolute foundation of our economy, are still recovering from the crisis. There are concerns among the major industrials about energy security in Tasmania going forward. That is of great concern.

Mrs RYLAH - Ms O'Connor, in light of your comments in regard to renewable energy and relating that to the Tamar Valley Power Station, why did the Greens not call for the firing up of the combined-cycle unit before the Basslink outage when you were aware that dam levels were getting lower?

Ms O'CONNOR - There was an unfortunate lack of information coming from either Hydro or the minister about the circumstances we were facing. There were no apparent alarm bells ringing about the situation. We knew that the state was heading into a period of dry. I do not think that the majority of Tasmanians knew how much power was being exported, and there was a sense of complacency about the fact that Basslink was in place. If the storages got too low, then the state would be importing power. We have always believed that the Tamar Valley Power Station is an important part of Tasmania's energy security. It should only be fired up in times of extreme need. But at that point, as I recall it, a decision had already been made, I think it was in August last year, for Hydro to seek a buyer or to explore the market for a buyer for the combined-cycle unit.

Mrs RYLAH - More importantly, that Hydro had already begun the firing up of the Tamar Valley Power Station combined-cycle unit well before the Basslink outage came about.

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What I am trying to get an understanding of is, in relation to renewable energy and your position with gas, where are you sitting on that?

Ms O'CONNOR - Gas is not actually a clean energy fuel. It is what they call a transitional fuel. It is obviously cleaner than coal-fired power or oil-fired power, but it is not as clean as sunshine and wind and wave and geothermal. We have long argued that the state needs to be energy self-sufficient, and we were energy self-sufficient before Basslink went in. We were 100 per cent renewably powered, the cleanest energy-producing state in the country.

Mrs RYLAH - We had gas, though.

Ms O'CONNOR - We do have gas, but again, gas is like other fossil fuels. It is a finite resource. It is a greenhouse polluter, and we would argue that you only fire up the gas-fired power station in times of extreme circumstances, like the state -

Mrs RYLAH - Not as a peaking unit to balance our renewable energy?

Ms O'CONNOR - It is no fault of this Government or the previous government or the government before that, but if we had an approach to renewable energy capacity that went past the Hydro monopoly and then Transend/TasNetworks, who have blocked efforts to see a more diversified energy mix in Tasmania, we might not have been in the difficult situation we were in last summer. I recall in the previous term of government when we were going through the energy reform process that there was a sense from the energy entities that Tasmania had a surplus of power and we would not need any extra generation capacity until 2027. Again it was, 'She'll be right, mate; we've got Basslink -

Mrs RYLAH - When was that -

CHAIR - Let the witness answer the question.

Mrs RYLAH - I want that date.

Ms O'CONNOR - The date I recall as coming through the energy expert panel was that Tasmania had a surplus of power and did not need any extra generation capacity until about 2027. I may have recalled that number incorrectly but I think that is about right.

We have a situation where it is in the interests of the energy companies to maintain the status quo. Hydro has a monopoly, TasNetworks has a monopoly, Aurora has a monopoly and there is very little incentive built into the system to encourage distributor generation or other renewable energy investments in Tasmania. In fact, there has been a wilful omission on that point. What is happening, particularly after the events of last summer, is that more and more Tasmanians are having a think about their own energy security and looking at solar and other options and battery storage because it made people feel vulnerable. It made us all feel vulnerable. Suddenly the cable was down, we were cut off from the mainland, there was insecurity about our energy supply and it forced us to think differently about our energy mix in the future. I hope your Government and your Energy minister take this as an opportunity to have a really good, hard think about our capacity in Tasmania and self-sufficiency and set in place policies that will invite investment into Tasmania to increase our renewable capacity.

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Ms COURTNEY - The El Nino was forecast but isn't it true that the bureau never quantified the extent of the dry period we had late last year?

Ms O'CONNOR - I saw some forecasting from the Bureau of Meteorology in about August last year warning that a very large El Nino system was forming over the Pacific. El Nino systems are associated on the east of Australia with extended dry periods and this was a monster El Nino that was forming.

Ms COURTNEY - Technical term.

Ms O'CONNOR - I think it was a NASA website or something because I took a strong personal interest in that phenomenon as someone who is very concerned about climate change. It was in about August-September last year that we started to see this image forming of a huge hot, red mass over the eastern Pacific that was moving towards Australia, so I think there was a very clear understanding we were heading for an extended dry period. Tasmania is just a little island at the bottom of the country, and we had these two significant climactic phenomena moving in on the island, so it is not reasonable to say we did not know what was coming. We knew what was coming. Hydro knew what was coming. The state had already been in a drying period. It is not unreasonable to propose we should have been very well aware in July-August last year of how hot and dry the summer was going to be and how much pressure that would place on our Hydro storages.

Ms COURTNEY - If there was a clear understanding of this, when did you first raise your concerns about Hydro's energy mix?

Ms O'CONNOR - We have been raising concerns about Hydro's energy mix ever since there were Greens in parliament. We developed an energy strategy before either of the major parties had done it earlier this year to try to sort of guide government on how it might increase the state's renewable energy capacity. We have asked questions in parliament. I cannot put a date on when any particular question was asked, but we certainly flagged that our state was heading for a dry period.

Ms COURTNEY - Did you call the minister to start up the combined-cycle Tamar Valley unit because of this dry period that was coming in Tasmania to try to conserve dam levels?

Ms O'CONNOR - I did not personally call on the minister to do that. The Tamar Valley Power Station had not been operational for some time, but we wanted to know it was there and in the mix. Unfortunately, I do not think any of us perhaps understood how low the dam storages had got and how much power was being exported and it was only I think in the GBE hearings towards the end of last year that it became clear that 40 percent of the power we were using was coming from Victoria.

Ms Courtney, you can choose to become political about this and try to determine when we said what to whom, but it does not take away from the facts of the matter, which are that the state and Hydro Tasmania knew full well that we were heading into an extended and extreme dry period. It made decisions in full knowledge of the circumstances that we were in and our argument is that there should have been a very cautious approach taken to exports and power use in Tasmania. The cable went down and suddenly we were highly vulnerable. The major industrials were kept in the dark for a number of weeks. I spoke to people in the major industrials in January this year who were scratching their heads because they still had not heard from the

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Energy minister, and it was the same when the decision was made to sell the Tamar Valley Power Station. The major industrials, Tasmania's major employers, found out about it in the media. There is a communication problem here as much as anything else.

Ms COURTNEY - You reflected earlier about Hydro's decision in the four days leading up to the Basslink outage. Did you know that Basslink was going to break? I'm just asking. You were reflecting on Hydro's decision making in the lead-up to it, and it just seemed in hindsight that you seemed to know something they did not.

CHAIR - Order. I think that is a question that cannot be answered. If the member were to rephrase that in some other form I might allow it but that is a question that cannot be answered.

Ms COURTNEY - I will ask a question of Cassy around renewable energy. Do you support more wind farms being established in Tasmania?

Ms O'CONNOR - If there is a business case and a proper environmental impact assessment, yes, we do. We do not think the Government should be playing favourites. We think there should be an open process here where you have reverse options and are saying to potential investors, 'Okay, we've got, say, 1300 megawatts of power we want to buy, what can you show us?'. My personal view is that the planet is in such a situation that we have to invest in every sustainable source of renewable energy that we possibly can. I recognise that wind farms can have significant impacts on threatened species but it is how you manage them, what the design of those wind farms are and making sure there is a business case and a proper environmental impact statement. We need to increase our renewable energy capacity and it can be through households, it can be through medium-scale generation. We have large-scale generation through Hydro but we just have to ramp up renewables.

Ms COURTNEY - Do you agree that any wind farm proposal has the potential to have some kind of environmental ramifications or consequences?

Ms O'CONNOR - Absolutely. I recognise that, but the environmental consequences of unmitigated climate change are very difficult for the human mind to comprehend so we need to be aggressively installing renewable generation, not just in Tasmania, but nationally. If Tasmania could be a powerhouse for clean energy to the mainland, so long as our local power needs are met, then that is a very, very positive outcome for the climate.

Ms COURTNEY - If we are progressively installing renewable energy, wind energy can be part of that mix. I am not going to reflect on different types of energy generation, so much to say that wind has obvious issues with reliability and go-slow power.

I think Ms Forrest - or it could have been Mr Bacon - asked about dams. Although there is no proposal on the table, that I am aware of, do you, from a conceptual point, support more dams in Tasmania on public land?

Ms O'CONNOR - Can you tell me, Ms Courtney, where those 'more dams' might be?

Ms FORREST - Oh, as I said -

CHAIR - Before we continue, it is not for witnesses to ask questions of the member of the committee. If you can answer that in some other form, I would appreciate it.

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Ms O'CONNOR - There is no need. The technology does not require us to build large dams. There are some fantastic examples of some small- to medium-scale stream-side dam generation. There is a wonderful one up the Derwent Valley.

We do not need to do massive infrastructure to increase our renewable energy capacity and diversify our mix. People can install solar. You can have small-scale hydro generation and, in fact, there are examples of it in Tasmania that are working.

So, I know you are trying to trap me here into saying, yes, let's build another great big dam. But the issue here is, that if we have another dry period - and we are so dependant on hydro power - we are not actually solving the problem because we are embedding our reliance on a resource that is vulnerable to climatic shifts.

We need to consider, in a slightly Tasmanian way, that we need a big thing, and a big solution. We need a diversified solution that is creative and uses technology that we know is available.

Ms COURTNEY - Even on a small scale - and I am not talking about one enormous dam - do you support the concept of having further investments in parts of Tasmania for further in-stream generation activities, again talking about the fact that as with wind, there may be environmental consequences of even in-stream generation.

Ms O'CONNOR - If you do in-stream generation properly it should have very minimal environmental consequences. This raises a really interesting question about water use and allocation and rights in Tasmania. This is not necessarily related to the generation of power. You have whole communities and industries that may be reliant on one catchment and you need to make sure that there is an equitable distribution of that resource as well as maintaining environmental flows.

It is possible to generate power in-stream that has very minimal, if not close to zero, environmental impact. I cannot remember the name of the generator up in the Derwent Valley, unfortunately, but there is a great example of it there, where the river flows, and it is generating power as it goes, with no environmental impact that I can see at all.

Ms FORREST - No on-going environmental impact, do you mean?

Ms O'CONNOR - No on-going.

Ms FORREST - There was going to be an environmental impact with the building of the system obviously.

Ms O'CONNOR - The system that is there on-site is small; it is a cement structure with a turbine in it and, as I recall, it is on private land. It has nowhere near the infrastructure impact or the environmental impact and, most importantly, it does not impact on flow.

Ms COURTNEY - So it is more the scale of things that you have more concerns about. If we were to see a proliferation in Tasmania of these smaller generation in-stream on public waterways, you are supportive of that conceptually?

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Ms O'CONNOR - You don't need to build large dams to generate energy for water and you need to make sure that, in generating power, you are having no adverse environmental impact.

Ms COURTNEY - That wasn't my question!

Ms O'CONNOR - If you have a set of regulations in place that prescribes how these systems may be installed and used and that ensures there is an environmental impact assessment ongoing monitoring, I see that as potentially very positive.

Mr GAFFNEY - Terms of reference 3 and 4 talk about current and future financial performance of the entities, including risk management strategies and plans. Do you have any comment regarding the Basslink 2 interconnector? It seems to me that some time after Basslink 1 had a mishap, there were people saying we need to do another one. We heard yesterday from a professor that you have to be very careful about a second interconnector. As a party, or personally, do you have any comment to make to the committee about that as a potential risk management strategy for the future?

Ms O'CONNOR - I think it was best put by Ray Mostogl from Bell Bay who said - to paraphrase him, and sorry, Ray, if I've done this incorrectly - 'We drained the dams with one Basslink, imagine what we could do with two'. Our argument would be that the installation of Basslink created a complacency. It plugged us into filthy power from Victoria and neither state nor Commonwealth government should even be contemplating expending taxpayer funds on a second Basslink until Tasmania has its house in order and has policies in place that increase investment in renewables and a diversified renewable generation mix. The first Basslink put an end to the feeling Tasmanians had when they turned on their power it would be 100 per cent clean. That was highly regrettable. It damaged our brand; it made us complacent. No individual, government or GBE is entirely responsible for that. Parliament made a decision to build the first Basslink. The Greens were opposed to it but we recognise now it is there. We would strongly advocate for an energy policy that encourages clean energy self-sufficiency. A second Basslink would just plug us into the Latrobe Valley, into high-emissions energy and, given the history, it would create even further complacency and, potentially, vulnerability.

Mr GAFFNEY - It is an expensive exercise for this generation and future generations. I gather that your preference would be any funds that were made available from wherever we could get them, would be better off to go into other forms of renewable energy in Tasmania, whether it be solar or thermal power and so on. Are there other strategies you would use to mitigate the risk for future generations?

Ms O'CONNOR - Certainly. We have a cable now that the state has profited from. It has funded hospitals and schools and brought revenue in. If that cable was not being used to all too regularly import dirty power, if we had a situation in Tasmania where we were energy self-sufficient and had some surplus clean power to share, that would be a very positive thing. It would be irresponsible of either state or federal government to fund a second Basslink, given the lessons we have learned from the first Basslink and given there hasn't been any emphasis yet on clean energy self-sufficiency on-island. One of the most regrettable consequences of the installation of Basslink is that we could no longer market ourselves as 100 per cent renewable. That has an impact on the brand. It has an impact on private investment, and now South Australia, having determined that it wants to be 100 per cent renewable, and put in place really strong policies to attract renewable energy investment, is potentially going to outstrip us. The same with the ACT.

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The opportunity cost here is in attracting, for example, data centres to the state who want to attach their brand to be 100 per cent renewable. We have lost that opportunity right now, and we need to rebuild it. We need policies in place where government is actively encouraging investment in renewables in Tasmania and enterprises that want to leverage off our brand.

Ms FORREST - I want to go to your submission and ask a couple of questions. You do make the point on the second page of your submission that on 3 December, 11 days after the Basslink failure, a \$25 million dividend was paid by Hydro to the Government, which was \$11.4 million above the Budget projection. I accept that there is a difference there, but is it not a fact that dividends are based on the previous year's profitability, so in the coming year we will expect to see a lot less paid, in fact, probably nothing?

Ms O'CONNOR - Probably nothing.

Ms FORREST - I accept that was a payment made, but that would have been based on the previous profitability. There is not a lot that Hydro could have done about that. Is that a fair comment?

Ms O'CONNOR - The Hydro may not have been able to do anything about that, but the shareholder ministers might have said to Hydro 11 days after the Basslink failure, 'We recognise that this crisis is going to cost, and we will forego that revenue to Government.' The Government made the choice to accept the money from Hydro knowing that there were going to be significant costs in the coming months.

Ms FORREST - Hydro, according to all the evidence we have, and the Government and the ministers were quite well aware, there was an expectation that a fault on Basslink would be repaired within 60 days. The longest outage prior to the recent one was nine days, so 11 days is only two days more than the longest one previously. Is it a reasonable criticism of the Government to say at that point they should have known that it would take much longer for the repair to occur, and the challenges were going to come?

Ms O'CONNOR - I do not think anyone in Government or in Hydro could have forecast that it would take so long for the cable to come back online. We need to acknowledge that. It is just good risk management. If you know you have a break in the cable that has not been diagnosed or found at that point, and it had not, and you know you have dam storages at record lows in a drought, with very low rainfall forecast, at least into Autumn, it is good risk management, I would have thought, to forego that dividend, just keep it there in the bank. Hydro Tasmania is now having to stump up for the cost of diesel generation.

It has foregone, as I understand it, about \$150 million in renewable energy certificates because it was not trading at that time, and just have the dividend as an insurance policy. That is not what happened. The minister, Mr Groom, fronted Tasmanians on 22 December to say the cable has gone down, we expect it to be operational again by March, and then he vanished for three weeks. I have been criticised for raising the fact that he disappeared over the break, but the fact of the matter is -

Ms FORREST - The Christmas break as opposed to the Basslink break?

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Ms O'CONNOR - Yes, the Christmas break. But the fact of the matter is, Tasmania had entered unprecedented circumstances. It was unprecedented. I spoke to people in the community who did not know what was going on, and who were really concerned. There was a failure to communicate with the Tasmanian people. There was a failure to acknowledge how serious the situation was. There was clearly a failure to engage with the major industrials because towards the end of January there was still confusion about what the Government's strategy was.

I think there was an unfortunate element of, 'it will all be okay', and maybe that is human nature. We hope and expect it will all be okay. But in a situation of that seriousness, where your major industrials' economic foundation is potentially placed at risk as well as the capacity to provide energy security to Tasmanians, there should have been a much stronger level of engagement with Tasmanians and major industrials through January, and there was not. The space was vacated. Everyone is entitled to a break and the minister should have had a break with his family, I understand that. But it would not have hurt to come out a couple of times while he was having a break and speak to Tasmanians about what the situation was, because through most of January we were all kept in the dark, including the major industrials.

Mr BACON - Should the minister have appointed an acting minister while he was holidays through that period?

Ms O'CONNOR - The minister was still the minister at that time. There was not any acting arrangements put in place and I take him at face value when he said he was engaged with the issue, but there was no communication.

Mr Bacon, you have been a minister. You know if there is a difficult situation on, no matter where you are, and even if there is an acting minister in place, you are onto it, you have to be on to it. That is ministerial responsibility and accountability. It was strange that the minister disappeared, comprehensively disappeared from public view for such an extended period after the cable went down.

CHAIR - I have allowed this to pursue and I am trying to see where it fits in under the terms of reference.

Ms FORREST - I am trying to get back to that, Chair.

CHAIR - I have let it go and I think we have gone far enough into that.

Ms FORREST - Getting back to your submission and I am trying to focus on the long-term financial sustainability of our energy entities, which is a key term of reference. You raised some comments around TasNetworks, and you have commented on their debt, which I believe is a bit higher than what you suggest in your submission.

Ms O'CONNOR - I think it was at that point.

Ms FORREST - It might have been when you put it in. It is about \$1.8 billion now. Regardless, it is still a significant number. You could argue TasNetworks had to borrow to pay their dividends and they are propping up a number of other GBEs or financially assisting them, so isn't this the elephant in the room, the huge amount of debt they are carrying? I would like your comment on that. Hydro Tasmania and TasNetworks both carry significant amounts of debt and some is shifted around between the two.

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Ms O'CONNOR - It is arguable that the GBEs provide a capacity for government to hide its true state of debt in Tasmania and the debt that is carried, particularly by the energy GBEs, is ultimately carried by the people of Tasmania. There has been an unfortunate propensity of governments to allow the energy GBEs to borrow and to go into debt, and loading up the debt on the GBEs has been practised.

Ms FORREST - It is okay if you can furnish your debt.

Ms O'CONNOR - Sure. But if you have a dividend policy that is 90 per cent of after-tax profits and you have debts of this size, furnishing a debt is going to be a secondary consideration to providing a dividend to government and to also maintaining the assets. I think it is a matter of public record that some of Hydro's generating assets are in a relatively poor state of repair and require some investment. You have these competing tensions on the GBEs. On the one hand they are expected to operate as corporations in a market but they are also there to provide a public service to the people of Tasmania and an income to fund public services. It is an almost impossible tension in the structure of GBEs.

Ms FORREST - I take you back to a comment you made in answer to one question down the table. You talked about your desire to have entirely green energy in Tasmania, and when we purchase from the mainland a portion of that will be from coal-fired generation. Some may be from wind. Once it is in the system, you do not know where it has come from so we should really only be selling our renewable energy across it. However, isn't it in the interest of the energy entity, particularly Hydro, making money as it is required to under the act it operates under? The only way they can maximise the revenue is to sell when Victoria's or mainland prices are higher and then buy it when it is low. Isn't that an overriding imperative for a government business?

Ms O'CONNOR - Well, I will not ask you a question back. Yes, the government businesses must, and should, provide a return to the people of Tasmania to fund public services, but government businesses such as Hydro, TasNetworks and Aurora have a core community service responsibility and meeting the energy needs of Tasmanians has to be that core responsibility.

I think it is hard to argue that the pressure that has been placed particularly on Hydro, but also on TasNetworks, which had to provide a dividend prop-up to Forestry Tasmania, has created risk-taking behaviours in the GBEs. That is unarguable because we have seen risk-taking behaviour from Hydro. Establishing Momentum, while at one level it is fantastic because it is increasing renewable energy use on the mainland, it is not Hydro's core business to be establishing a business.

Ms FORREST - At least it is profitable.

Ms O'CONNOR - I recognise that, but it is still not Hydro's core business, ultimately.

Mrs RYLAH - Ms O'Connor, I would also like to refer to your submission. You have submitted, following on from Ms Forrest's question, that the level of Hydro's debt at \$854 million or whatever it was at 30 June 2015 is one of the key reasons that is stifling the development of renewable energy in this state. What I am interested in is, what is the Greens' strategy on how to reduce the level of debt within Hydro, particularly considering we know that there are only two options for debt reduction? One is the sale of assets and the other is the reduction in the payout ratio or amount of dividend that it pays the government that is absolutely essential to fund the

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services like education and health et cetera. Could you explain how you see solving that conundrum?

Ms O'CONNOR - Ultimately solving that conundrum is a matter for Hydro and the Treasury, but Hydro Tasmania should be in a financial situation where it feels comfortable in its capacity to return a dividend to the people of Tasmania while it is also paying down debt. The size of the debts that are carried by our energy GBEs would point to prioritisation of paying a dividend to government over paying down the debt, potentially. Mrs Rylah, I am not a financial expert but the energy GBEs have the highest level of debt, as I understand it, as well as Forestry Tasmania, and that is very significant.

Mrs RYLAH - It is very significant. It is an issue if we want more renewable energy in some way. I relate that back to your comments about wanting to generate - was it 1300 megawatts of wind energy?

Ms O'CONNOR - No, 1300 megawatts - we would be open to what kind of renewable energy that might be, but it is a reverse auction system which I think they have just put in place in the ACT, where government says 'we want to buy 1300 megawatts of power; in return for that we will give you large-scale certificates and you can invest in Tasmania and we will give you a certainty over the price'. It provides an investor with a secure investment opportunity at the same time as increasing renewable capacity. One of the problems here, Mrs Rylah, is that Hydro has a monopoly, TasNetworks has a monopoly and Aurora has a monopoly. In some ways, it has provided stability to the GBEs but it has also stifled innovation and increased capacity. There has been a real reluctance on the part of any of the energy GBEs going back some time - and I am not pointing the finger at anyone politically here - to increase the mix and the source of the energy. If you have a monopoly, it is understandable corporate behaviour that you would seek to protect it. It has been part of the reason that we do not have more renewable capacity here in Tasmania.

Mrs RYLAH - To follow on from producing the 1300 megawatts particularly from wind, are you aware that if we were to -

Ms O'CONNOR - Or geothermal or wave power.

Mrs RYLAH - But in particular wind, which is the technology that is available now on a larger scale, are you aware that would totally destabilise the Tasmanian energy circuits without having Basslink 2?

Ms O'CONNOR - No, I do not see the argument there at all. There are issues with baseload power and the need to provide to secure baseload power. If you have a foundational source that is secure baseload like hydro, then you can increase investment in non-baseload power sources as long as you have the capacity to trip your baseload when you need to because there is unreliability in the mix.

There are baseload geothermal options that are being used in other countries. We are not just talking about wind here, Mrs Rylah, there are small to medium-scale solar farms that are establishing themselves in communities around the world where communities have taken their power needs into their own hands and as a collective have purchased a solar farm that can supply power to the whole town. In Alice Springs, at a place called Solar City, there is a very large solar farm that meets the needs - I won't put a number on it - of a significant enough percentage of the people of Alice Springs. We will see more and more of these investments come on board.

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You can argue that coal is baseload power but coal is dying. The coal market is collapsing, the markets are moving away from fossil fuels. The smart money is being invested in renewables. It is a baseload investment, financially, because it has continued growth in it. I absolutely agree that you need to have your baseload there but you also need to have variability because that provides security.

Ms COURTNEY - I would like to ask you a question based on Mrs Rylah's previous question with regards to debt within Hydro. When you were a minister in the former government, did you advocate strongly for the debt levels across all the energy businesses to be minimised?

Ms O'CONNOR - I was the Minister for Human Services, Climate Change, Aboriginal Affairs and Community Development. I do not -

Ms COURTNEY - A Cabinet minister.

Ms O'CONNOR - A Cabinet minister, that is right. Do you expect me to tell you what happened in Cabinet?

Ms COURTNEY - No, I am just wondering, in your role as a Cabinet minister, whether you advocated for lower dividends from all the energy businesses and a reduction in debt.

Ms O'CONNOR - We established the Energy Expert Panel to look at all these questions - the question of debt, of monopoly power, of the role that Hydro plays in the national energy market, the gold-plating at the poles and wires that were then Transend's responsibility. That was all part of the mix of considerations we had in mind when we established the expert panel to provide advice to government on Tasmania's energy situation and needs in the future and dealing with the debt of the GBEs was most certainly a part of the considerations of the expert panel.

Ms COURTNEY - So you advocated for lower debt and lower dividends from those organisations?

Ms O'CONNOR - We led the establishment of the expert panel out of concern about the level of debt that Hydro and Transend were carrying particularly, about making sure there was energy security, that community service obligations that were to be in place were being met. It was most certainly part of the reason we set up the expert panel because there were concerns then about the financial sustainability of the energy GBEs.

Ms COURTNEY - You mentioned energy security in your answer. Were you comfortable at that time during the former government that responsibility for energy security in Tasmania was effectively by held by Bryan Green? We heard that this morning from Mr Green. Were you comfortable that was how - as a cabinet minister?

Ms O'CONNOR - Are you asking me to reflect on whether he was personally -

Ms COURTNEY - No, you mentioned energy security was something that was a concern to you as a Greens member. I am wondering whether you were comfortable during the last term of government with Bryan Green having responsibility for energy security, that responsibility lying with him.

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Ms O'CONNOR - I do not have the terms of reference for the expert panel in front of me, but energy security, if not the topmost point of concern in the terms of reference, was very near the top. The former energy minister was very engaged with the work of the expert panel. A personal observation is that he was a very dedicated energy minister. He knew in detail the portfolio and all its complexities. Energy security was absolutely front of mind for him. It is front of mind for every Tasmanian government, as it must be. I think he was a pretty good energy minister.

Ms COURTNEY - I am not reflecting on that. I am asking whether you think the most suitable place for energy security to have sat is with that minister.

Ms O'CONNOR - I don't know what the delegations and arrangements were specifically to the energy minister then but ultimately, energy security is a whole-of-government responsibility. Ensuring energy security is Hydro Tasmania's responsibility but the buck has to stop with the energy minister.

Ms COURTNEY - The buck always stops with the government.

Ms O'CONNOR - Yes. In this situation, the buck stops with the Treasurer and the Energy minister who are the two shareholder ministers in Hydro who have driven the 90 per cent dividend policy, which we would argue has unleashed Hydro to take part in some quite risky behaviour that exposed our energy vulnerability last summer.

Ms COURTNEY - Are you saying that the energy vulnerability, that was a result of record low rainfalls and obviously compounded by the Basslink failure, is somehow a reflection of the Government's dividend policy?

Ms O'CONNOR - I think the conduct of Hydro in the two years the Liberals have been in government has reflected a significant pressure from government for all GBEs to return 90 per cent of after-tax profits as a dividend. As Hydro was ramping up exports, we were importing large amounts of power from filthy power stations in the Latrobe Valley. The forecast was for drought and a large El Nino and Hydro was exporting and selling the gas on the mainland. It is hard to escape the conclusion that the dividend policy drove Hydro to seek to earn more income in order to pay the first \$75 million special dividend. As I understand it, when Hydro rewrote the corporate plan after the Liberals took office and Hydro was told that they would be required to contribute a \$75 million dividend, that is where the wish to sell the Tamar Valley Power Station came into play.

CHAIR - In relation to the critical situation we have just gone through - and I asked this question of one of our witnesses as well - do you have anything to say on the way in which that was managed at the end in providing security of energy to this state? Were you comfortable with that, from your position?

Ms O'CONNOR - With the diesel generation?

CHAIR - Yes, bringing in the diesel generation and the other factors that the Government considered and took into account in ensuring that there was energy provided to the state?

Ms O'CONNOR - Because so little attention had been paid to increasing the mix of renewables and the diversity, and because the decision had been made by Cabinet to enable Hydro

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to look for a buyer for the Tamar Valley Power Station and the gas was being sold, by the time we got to the circumstances where the diesel generators were being brought in, the minister clearly felt he had no choice but to do that. The damage that was done to our brand through diesel generation was very significant. The damage done to Hydro's bottom line and therefore the taxpayers of Tasmania was very significant.

CHAIR - Under the heading of TasNetworks, you refer to rooftop solar. Do you believe enough is being done by this Government to increase the rooftop solar energy situation in this state? What more can be done? What should we be doing? In asking that question, I understand currently that the import of energy into the system has meant that rooftop solar is said to be minuscule at this time. I think Hydro said it is 3 per cent.

Ms FORREST - That could be just because it's winter.

Ms O'CONNOR - On some winter days there is quite a significant contribution from rooftop solar.

CHAIR - I think what they said is that the average import was only 3 per cent of our energy requirement coming in in that way. Do you have a position on rooftop solar? Should we be doing much more to create interest in it?

Ms O'CONNOR - I have to declare an interest here in that we have rooftop solar.

CHAIR - So do I.

Ms O'CONNOR - It is interesting, because even though we have walked away as a state from a fair feed-in tariff, and even though TasNetworks kind of slugs rooftop solar providers through their pricing structure, the market is on the move and people are investing in rooftop solar. The last time I checked more than 20 000 Tasmanian homes had rooftop solar installed. We are seeing incredible advances in battery technology. Our view is that government should provide a one-on-one feed-in tariff ideally. There are things I think that government can do -

Mr BACON - You mean the retail rate?

Ms O'CONNOR - Yes. There are things that government can do that do not have to cost a huge amount of money that can provide incentives for rooftop solar through a feed-in tariff. Part of it is about your messaging and communication with people. I know Minister Groom was under an awful lot of stress over summer and had a huge and very difficult situation on his hands, but one of the things that disappointed me personally was that he didn't take the opportunity to say, 'Okay, this has made us recalibrate the way we think about energy supply and security in Tasmania, and as a government we are going to work towards being 100 per cent renewable by 2020-22. These are the policies that we will put in place.' To use a term of my grandmother's, we are going to turn our lemon into lemonade and make sure that in future that we are not exposed to this sort of vulnerability because everyone can be part of the solution here - households, businesses after installing rooftop solar through a mass rollout of energy efficiency, for example.

In the last term of government, the Labor-Greens government provided nine-and-a-half-thousand energy-efficiency upgrades to low-income households, small businesses and community groups. It makes a significant difference; it's called 'megawatts'. I think Government could do

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more through its policy settings and show some leadership through its language. That is not happening yet. We are all waiting. .

Ms FORREST - Regarding the developments in battery storage and the price coming down, I know it is not affordable for low-income earners at this stage, but it is coming down significantly. Won't that make the issue of the feed-in tariffs almost redundant because people will install batteries. They will only feed into the grid when their battery is completely full. I am looking to the future rather than focussing on the past, so shouldn't the government perhaps be focussing more on facilitating supporting low-income earners perhaps into battery storage rather than focussing too much on feed-in tariffs which will become redundant?

Ms O'CONNOR - Yes, that is a very sound argument and the other way that government could support low-income families and communities is to support the establishment of community solar farms, but you are right, Ms Forrest, and it is all changing and it is changing rapidly and the market is driving the politics.

Mrs RYLAH - It was under the previous government that the grandfathering bit stopped.

Ms O'CONNOR - I totally accept that. We were all disappointed.

CHAIR - Cassy, is there anything you want to finish or any statement you would like to make that you have not or is of interest to this committee and the terms of reference?

Ms O'CONNOR - On behalf of the Greens and our party I want to thank you for undertaking this work. I know you are always upgrading in a political space, but it would be a really positive outcome if the committee could put aside as much of the politics as possible and take a very clinical look at this situation; identify how we got into the circumstances that we did and help guide the parliament and the government towards a future where we are not so vulnerable. I think there is a strong wish in the community for there to be some sort of independent examination of the circumstances that led up the failure of Basslink. I recognise that this committee is a very powerful committee. You have taken this body of work on and I am really looking forward to seeing the results in the interests of the people of Tasmania.

CHAIR - I have every confidence in this committee retaining that independence necessary to make the findings that it will make moving forward in this inquiry. We thank you very much for being such a good sport in changing your times and so on, and thank you for the way in which you have answered the questions and the information you have provided.

THE WITNESS WITHDREW.