

UNCORRECTED PROOF ISSUE

Thursday 5 December 2019 - Legislative Council - Government Businesses Scrutiny Committee A - Tasmanian Networks Pty Ltd

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

Thursday 5 December 2019

MEMBERS

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

IN ATTENDANCE

Hon. Guy Barnett, Minister for Energy

Ministerial Office

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

Tasmanian Networks Pty Ltd

Dr Dan Norton, Chairman
Mr Lance Balcombe, Chief Executive Officer
Mr Ross Burridge, General Manager Finance & Business Services
Mr Wayne Tucker, General Manager Strategic Asset Management
Ms Bess Clark, General Manager Marinus Project
Mr Josh Bradshaw, Government Relations Manager

The Committee resumed at 2.05 p.m.

CHAIR - Thank you for coming back at 2.05 p.m. We want to get away on time as much as you do, I am sure.

Thank you again for appearing before our Government Business Scrutiny Committee. For the newer members of your team at the table, this is a public hearing, everything is on the public record.

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The transcript will be transcribed and form part of our report to parliament, which will be done before Christmas.

If any questions are asked that you believe require a confidential response, you can make that through the minister or make that request to the committee, and the committee would consider that request and determine how to proceed from there. Otherwise it is all on the public record.

Minister, for the purpose of Hansard, I will get you to introduce your team at the table and then invite you to make a brief opening comment. I know there is a lot to cover in TasNetworks. If the Chair wants to make further comment, that is fine as well.

Mr BARNETT - Thank you very much, Madam Chair, and thanks for the opportunity to present today to the Legislative Council.

On my right is Dr Dan Norton, Chair of TasNetworks; on my left is Lance Balcombe, the CEO of TasNetworks; Ross Burridge, General Manager, Finance and Business Services; Bess Clark, General Manager, Marinus Project; and Wayne Tucker, General Manager, Strategic Asset Management.

It has been a very significant year for TasNetworks in continuing its very good provision of network services across the State of Tasmania and also working very diligently on the Marinus Link second interconnector project.

TasNetworks delivered an after-tax profit of \$40.8 million, \$6.4 million above budget and above target dividend of \$43.1 million. Since forming in 2014, TasNetworks has been committed to lowering the network prices, with a substantial 20 per cent decrease in network tariffs to distribution customers in 2017-18 and a further decrease of around 2 per cent in 2018-19.

Supporting large Tasmanian businesses is a key priority and, on average, TasNetworks' annual transmission charges have fallen almost 36 per cent, or close to \$80 million, in the past six years.

TasNetworks continues to work with the Government on maintaining downward pressure on the cost of living and the cost of doing business, which is a top priority for the Hodgman Liberal Government.

In the June 2019 performance update, the Australian Energy Regulator - AER - ranked TasNetworks as a mid-to-high performing transmission network service provider and the overall performance of Tasmania's distribution network has also met or exceeded the regulator's standards.

The Government is also focused on its target of reaching 100 per cent self-sufficiency in renewables by 2022, and we are on track with the Cattle Hill Wind Farm and the Granville Harbour Wind Farm. Just a few weeks ago, I proudly visited the Granville Harbour Wind Farm and that is progressing.

Tomorrow I will be at the Cattle Hill Wind Farm for the official opening. I look forward to playing my part in that official opening tomorrow up in the Central Highlands. We will see if it is cold, windy and blowy.

CHAIR - Snowing, I reckon.

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Mr BARNETT - It may even be snowing; we are not sure about that. It is one of our three renewable energy zones in the Central Highlands, and it is being well-received and appreciated by the developers.

It is also diligently pursuing Project Marinus, as I have indicated. The business case assessments are being released today. It is a \$20 million project supported by the Australian Government through the Australian Renewable Energy Agency - ARENA - and the state Government through TasNetworks. We would be pleased to share with the committee more about that feasibility study and the positivity in and around the business case, and the flow-on benefits to Tasmania in terms of billions of dollars of investment and thousands of jobs going forward, including through other renewable energy projects.

It is confirmed a 1500-megawatt interconnector is technically feasible and commercially viable. It is confirmed that this is national infrastructure and it's deemed a priority project by Infrastructure Australia. It feeds into the Battery of the Nation plans that we had that we spoke about with Hydro Tasmania earlier today.

I thank the Australian Government for its cooperation and support, particularly with the \$56 million contribution to the design and approval process to progress that as quickly as possible. We have a good ongoing positive working relationship with our colleagues in Canberra.

Closer to home, keeping the lights on 24/7 is a top priority and I would like to pass on my thanks to TasNetworks and all its teams out and about in the field - night and day, rain, hail or shine - to keep the lights on. Likewise, with the bushfires earlier this year, it was a very challenging period and the work undertaken by TasNetworks was outstanding, again to keep the lights on, to work closely with our fire and emergency service personnel, particularly during the prolonged bushfire period in the Central Highlands. I visited with TasNetworks in the south in and around the Huon and again post the fire period. The reconnection to Southwood was a terrific effort and very much appreciated by the timber industry, and specifically Neville Smith forest products and Ta Ann.

A big thank you to the staff for the work they do and their deep sense of duty to their fellow Tasmanians. It is greatly appreciated. I will pass to the Chair for some other opening remarks and go from there.

Dr NORTON - Just a couple of brief comments, the two highlights of the year were, first, the AER approving our Forward Revenue. This, I think, has got the balance right between giving us the money we need to provide safe reliable power to customers and at the same time make sure that is done in an affordable manner as well. That was a major achievement and a lot of work was done in the business to interact with the AER to provide extremely detailed documentation to substantiate why we needed the revenue that it has approved.

The second area that has been a major focus, as the minister mentioned, is the Marinus Link project. This has taken a lot of time and effort from a broad range of people within our business and it has also involved interaction with other stakeholders, interaction in particular with the Department of State Growth and with Treasury, and, where appropriate, with Hydro. It is a Team Tasmania project so we are all in it together. However, producing the documentation for the business case and the project assessment draft report, which was part of the AER's requirement that we publish a draft report for public comment, that work and the responsibilities were with TasNetworks and the board for approving that.

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As well as that, as the minister indicated, we have a lot of dedicated staff who put in hard yards especially when there is wind and rain and fires. I would echo the minister's comments congratulating our people who, ultimately, are the cornerstone of our business.

CHAIR - I would like to talk about the financial position initially: we know TasNetworks holds a lot of debt but is a very capital-intensive organisation. That is not unreasonable, but I remember being told some time ago that you should beware when companies have to borrow to pay dividends. What do you think about that proposition generally, minister?

Mr BARNETT - I am pleased with the sustainability and profit of TasNetworks. The last 12 months it has seen a terrific result - it is above-budget with a targeted dividend of \$43.1 million. As a government, we are very pleased with the efforts of TasNetworks. We say congratulations, well done. We are very pleased with the outcome. The Treasurer has a special focus on getting the balance right for our budget and that remains the case and that position hasn't changed.

CHAIR - Does it concern you that companies might have to borrow to pay dividends?

Mr BARNETT - I am not got to answer that question for and on behalf of the Treasurer. I can answer as a minister responsible for our energy businesses and indicate that it has delivered above budget. In terms of expectations going forward, we review that on a case-by-case basis in the years ahead. We need to remember that this is a government business enterprise. The taxpayers own this entity and at the end of the day, we need to provide funding support for our health, education infrastructure, police and so on and will continue to that.

CHAIR - As the shareholder minister, can I take you to page 68 of the annual report which is the cashflow statement. If you look at the cashflow from financing, I see an extra \$50.5 million was borrowed in 2019. The difference between the proceeds from borrowings and repayment of existing borrowings, if you look down a line or two from there, you will see \$43 million was the dividend paid. The additional borrowings look like TasNetworks had to borrow to pay the dividends. In the previous year, the borrowings went up by \$100 million and the dividend of \$75 million was paid last year.

The Government's dividend policy requires TasNetworks to pay out large dividends each year. I understand they are a government-owned business and they are there to help fund health, education, justice et cetera, but can you explain exactly what the policy is in terms of dividends here and what is the view about the business effectively having to borrow to pay the dividend?

Mr BARNETT - The Government's policy, as outlined by the Treasurer across government business enterprises all across government, not only the energy businesses, is that 90 per cent of the net profits after tax as a dividend go to government.

CHAIR - In terms of TasNetworks being required to borrow to fund the dividends, do you think that is a concerning situation to be in?

Mr BARNETT - It is a matter for the board in discussions with the CEO as to how exactly that is paid. The policy position of the Government is 90 per cent. That has been the case. It is a policy position, so, if you get 90 per cent of the net profits after tax, the dividend goes to government and it is managed accordingly. We have every confidence in the sustainability, viability and profitability of TasNetworks, but I have asked the CEO to add to that.

Mr BALCOMBE - One of the things we do as a business is look at our capital structure in the short term and the long term. One of the things inherent in a regulated business such as TasNetworks is that they are generally fairly highly geared. We are probably not as highly geared as some of our counterpart businesses on mainland Australia. Businesses such as ours can have a high level of gearing because our revenues are predictable. They are not volatile; we are not market-facing, and what happens generally is that if we recover more revenue than we are due, we hand it back to customers and vice versa. Our gearing level has been hovering around 68 per cent. I suppose one of the challenges is, yes, when you have a large amount of debt on your balance sheet, you are not holding cash. Ostensibly, you are churning part of your debt portfolio in order to pay dividends, so it is as much a working capital matter as actually physically borrowing to pay it.

Our focus is perhaps more on the long-term sustainability of the business, ensuring that we have adequate capital in cash and borrowings available to meet the ongoing capital requirements of the business. As the Chairman indicated, earlier this year, we signed off our revenue proposals for both distribution and transmission. That has achieved a good balance between prices to customers, but it also ensures we have access to adequate amounts of capital to ensure that we can maintain the appropriate level of the reliability of our assets. Our customers have told us they want to see more reliability. They want to see the level of reliability maintained because, if we spend more money on the assets to increase reliability, prices will go up. We have done some projections of our levels of debt and we are pretty content with that. We are focused on maintaining an A credit rating over the longer term for our business and our forecasts indicate we should be set to achieve that.

CHAIR - I appreciate the tension between customers not wanting to pay too much, but also wanting a reliable service, and needing that contingency to deal with things like bushfires and other natural disasters and events that are outside your control.

There is a section on borrowings on page 84. It says that as the borrowing limit's adjusted, extra's borrowed. I appreciate the gearing ratio you operate under is comparable and less than some similar businesses in other jurisdictions. What would happen if your borrowing limits reduce? What do you do then?

Mr BALCOMBE - At a high level, we'd cut our cloth accordingly. We do work closely with TASCORP. We share our corporate plan and our financial projections, and one area in which we have been borrowing more money this year is in regard to a new business that we've established, which is building the non-regulated components of transmission. For instance, with the Granville Harbour wind farm, which the minister and I visited a few weeks ago, we visited the day after we'd commissioned the transmission line to connect that. We commissioned that and it runs between the wind farm and the Reece Power Station, so that's new infrastructure. It's non-regulated. It's a specific asset built to connect that wind farm, and under normal circumstances, it would be owned by the wind farm operator. Where we have an advantage is that we are a transmission business. It's core business for us, so we have built, owned and will operate that transmission line. I am not at liberty to share the cost of that because it's commercial-in-confidence.

CHAIR - The cost of building it or the cost of operating it?

Mr BALCOMBE - The cost of building it, but it's all embedded in a long-term contract. We've borrowed to put, effectively, the first tenement of that business on our balance sheet. We intend to grow that. We think there's opportunity to have a business approaching \$300 million by 2025.

CHAIR - Does that include the transmission line related to Marinus in the same business unit?

Mr BALCOMBE - With regard to the transmission line and Marinus, we have to be cognisant that there'll be regulated and non-regulated components of that. I'm talking about elements of transmission that don't fall within the regulated boundaries of our assets. Essentially, what happens is that you could build, and I don't mean to jump ahead to Marinus - the southern corridor that we are consulting on at the moment and that we are going to build for UPC; that is, ostensibly, we will build own and operate that.

CHAIR - As an unregulated -

Mr BALCOMBE - As an unregulated asset at the first instance and then we will charge UPC for that. Should we get more customers that want to connect into that part of the network, that will become qualified as part of the shared network and could form into a regulated asset. There are other reasons why we are borrowing money. We are building a new business.

CHAIR - What's the name of that business?

Mr BALCOMBE - At the moment it has the lovely name of Large-scale Renewables Pty Ltd. We didn't have someone quite as inventive as the person who thought up Marinus. That's a work in progress and it's in its formative stages, but we think it represents a great opportunity for the business. There, where we would have separate conversations with TASCORP about potentially partitioning the net debt [inaudible], they want to make sure that the revenue flows that attach to that are secure, but it is core business. It's good business for us.

CHAIR - Will that be separately reported and will we have segment reporting related to this, whatever it ends up being called, business?

Mr BALCOMBE - Correct. It's incorporated as a subsidiary and we'll be looking to populate that.

CHAIR - We can expect to see segment reporting in the annual report.

Mr BALCOMBE - Yes.

Dr NORTON - I think the Chair made the pertinent comment a little while ago that the gearing ratio for this business is not aggressive by any means. It sits within the sort of gearing ratio of an infrastructure business with regulator revenue, as we have. The board's always mindful about our debt agreement. We have close interactions with our bank, TASCORP. They look at our long-term corporate plan and make sure from their perspective that the borrowings we have are secure. It is something that takes the attention of the board and management, and we have every confidence that we'll continue to get the support of TASCORP into the future.

CHAIR - Lance was referring to the future as well. In terms of what the forward budgets look like for the next three years, can you give us an idea of the estimated depreciation, estimated capex and cash dividends and movements in borrowing over the next three years?

Mr BURRIDGE - I am looking for the estimates now.

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CHAIR - While your CFO is looking for that, minister, could we have a little more information on the capex going forward in terms of what's intended, and to what extent does it relate to catering for new infrastructure to meet the demands of renewable energy into the grid? I know you have just spoken about the Granville Harbour line and made some reference to the UPC one and the one for Marinus, potentially. There is obviously more than that in the capital investments required. I know that even the transmission line around the west coast is pretty much at capacity in parts around Rosebery and other areas. I am interested in the capital expenditure program.

Mr BALCOMBE - If it's okay, it is a specific area for Wayne Tucker, from a perspective of understanding our asset strategies with regard to transmission in particular and where we have areas of focus with regard to where we have capacity constraints and things like that.

Mr TUCKER - The majority of our capital expenditure on transmission is more around replacement assets. The augmentation of the network isn't really a huge driver apart from the transmission to support project Marinus, which is part of the Marinus project incorporated in the business case.

We have, on average, some fairly aged assets; we do our best to sustain those through their life and manage those as best we can.

CHAIR - Do you have a particular capital expenditure plan for upgrading and replacing assets around the state, other than the new ones we are speaking about?

Mr TUCKER - Absolutely, we have comprehensive plans for all our assets.

CHAIR - Are you able to provide those to the committee?

Mr BARNETT - I think Wayne could add to his answer and just outline those plans.

Dr NORTON - Before Wayne answers the specifics, when we go to get that revenue determination from the AER, we have to provide all this information to them so they scrutinise the adequacy of our capital expenditure plan. It is on the public record.

Mr TUCKER - Also, our annual planning report contains a lot of information about the major projects we are undertaking and programs of work as well.

Mr BARNETT - An annual planning report is put on the public record, which I think Wayne spoke to. Maybe the CEO could speak to that report, how it works and what is in that report.

Mr BALCOMBE - It is a requirement that we produce the annual planning report. We publish that around June each year. That covers issues, Madam Chair, that you raised. It looks at the condition of the network, at both transmission and distribution level. It identifies specific projects because it is a consultation document. Generally, when we are spending money on the network, it means that money goes in the regulated asset base and it puts upward pressure on prices.

We have had discussions with specific customers in the past about augmentations that might impact on their reliability in a positive sense, but it also drives prices up. Part of that consultation around the planning report says we have been able to perhaps come up with less expensive options or not execute the option at all where customers have then been prepared to accept lower reliability on the basis that they won't see any upward pressure on the transmission component of prices.

It's a key document. It looks at the network transformation, what we are doing on the existing network from a point of view of if we have any shortages of available services. It looks at any network performance impacts that might result from new connections, such as new wind farms coming on. They are asynchronous generation so they are not as predictable; they don't have as much inertia. Does that mean we need to provide more services to firm that up, with voltage service and the like?

We also looked at demand forecasts. The demand forecasts have been pretty flat over the last few years. Also, understanding what is happening with our larger customers - are they looking to invest, take greater loads or things like that?

We then amalgamate all those findings. We publish those specifically identified projects that we wish to consult on as part of that planning report. As the Chairman indicated, we then incorporate those projects into our revenue proposals. It's an entry process, but we have an obligation every year to publish that annual planning report.

CHAIR - Additional renewable energy resources like wind and other things are coming on line; obviously they are not built in a day, I appreciate that, a lot of work goes on before that. Some concerns have been raised about the capacity of the grid, not just here, but also on the mainland, about this massive increase in renewables getting into the grid. Is that an issue here and would it require massive capital expenditure to enable more wind to come online, wherever it might be around the state?

Mr BALCOMBE - I will answer first but might throw to Wayne, because he can deal with the technical aspects.

First, it will not require a massive amount of money. We actually see the flip-side as a huge opportunity for our business. The more generators we have connected into the network, the better as far as we can see, provided we can manage the impacts of connecting more of the asynchronous generation into the network, but I will throw to Wayne, if that is okay.

Mr TUCKER - We work closely with the Australian Energy Market Operator. We have developed renewable energy zones in consultation with that. They are in the integrated system plan and one of the purposes is to encourage developers to locate wind farms where there is reasonable network and capacity available, and, if we do need to augment the network, to try to do it in an efficient way that is best in the long term for all connecting parties.

CHAIR - So, a new wind farm would not be approved where there is no capacity in the current network to feed it in?

Mr BARNETT - Maybe in response to that, the CEO can respond.

Mr BALCOMBE - It is not that they would not be approved; it is what is in their best interests. It is their best interest to be in those renewable energy zones wherever possible because we have a transmission system already built and working.

I will give a bigger picture: we have 30 power stations in Tasmania, 50 dams, a transmission system built up over 100-odd years, and we are building on it each year and making it more effective

and relevant. It is not that they cannot - they can - but they then, like Granville Harbour, need to have an arrangement to get to the transmission system so they can use the wind farm to benefit their shareholders and the country. They would have to have some arrangement with the transmission system as in TasNetworks.

CHAIR - There is spare capacity in that new line you put up to Reece Dam.

Mr BALCOMBE - There was certainly available capacity there. It may well be they choose to connect to a weak part of the network. They might ask us to strengthen it and they would have to pay for that.

Let us say that they have a really good wind farm site and generally, this is a challenge with wind. If you think about it, it is coastal and often resides a long way from transmission, so generally they have to pay, but it could be they are close to transmission, but it is a weak part of the transmission. We could upgrade the shared network in order to connect them and give available capacity, but they would have to pay for that.

CHAIR - For the upgrade?

Mr BALCOMBE - Yes, that is right. You might have seen in areas such as Queensland and other areas where wind farms are connecting, but they are only available for about 50 per cent of the time because the network is so weak; there are significant system strength issues right across the country. Not so much in Tasmania, but it is something we will continue to monitor.

Mr VALENTINE - As an adjunct to that, the level of demand that might exist in the area where the wind farm is: does that ever come into the equation? You might have a major industry and you have the opportunity to choose between various sites. Do you encourage them to place these facilities where demand is reasonably high and therefore transmission is less?

Mr BARNETT - The system has been built up over a long time - Bell Bay, TEMCO, Bell Bay Aluminium or whatever - so it gets upgraded from time to time to support those particular customers.

Mr VALENTINE - Like Granville, which they were talking about?

Mr BARNETT - Yes, Granville - obviously a different case - had an arrangement put in place thanks to TasNetworks, which kicked in literally a few weeks ago and is now connected, which is terrific. That is a private arrangement between TasNetworks and the developer. I will pass to the Chair to make an additional comment.

Dr NORTON - As well as physically connecting to the network, wind farms also have to satisfy AEMO requirements and connection standards. Perhaps Wayne can elaborate on that.

CHAIR - They have agreement too, don't they?

Mr BARNETT - In Tasmania, the jurisdictional planner is TasNetworks, but you have the Australian Energy Market Organisation - Wayne might outline the AEMO role and how TasNetworks interacts with AEMO

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Mr TUCKER - AEMO is the national planner and energy market operator and we are the jurisdictional planner and a network service provider under the National Electricity Rules - NER.

If, for example, a proponent wants to build a wind farm to connect to the network, we work closely with the proponent to understand the technical characteristics of the wind farm and the connection. There is a huge raft of obligations in the NER we need to assess the wind farm capability against, and, once it meets those requirements, we then make a recommendation to AEMO which undertakes some assessments and checks. If AEMO is satisfied, it allows the wind farm to connect and generate.

CHAIR - We might go to the CEO to pick up on that information we asked earlier, then other members might have questions.

Mr BURRIDGE - To clarify the loss, I will give you the next three years.

CHAIR - Yes, that would be great, thank you.

Mr BURRIDGE - The depreciation for 2019-20 in round numbers is \$182 million; in 2020-21, it is \$192 million; and in 2021-22, it goes to \$205 million.

You asked about borrowings. The borrowings - I had to add current and non-current - for the end of next year will just be shy of \$2 billion - just over \$2 million - bearing in mind our limit with TASCORP is \$2.1 billion, so we are under our limit.

The following year it is about \$2 billion and \$50 million, and then the following year, which is 2021-22, we are just short of \$2.1 billion to the end of \$90 million.

CHAIR - So you are over the limit in 2020-21?

Mr BURRIDGE - No, \$2.1 billion, so it is \$2.090 billion. I have the capex numbers if you want those.

CHAIR - Yes, please.

Mr BURRIDGE - In 2019-20 in round numbers it is \$230 million; in 2020-21, it is \$214 million; and in 2021-22, it is \$241 million. They are all in line with our regulatory determination.

CHAIR - Do you have dividends too?

Mr BURRIDGE - Yes, dividends next year - and remember they are lagged - next year, 2019-20, it is 12, 15 and then 7.

Mr FINCH - We received a letter from the Tasmanian Minerals Manufacturing and Energy Council which has a lot of detail about Hydro and TasNetworks. The summary by Ramos Ogle was quite interesting. It is drawing a bit of long bow, minister, that it is something which you might care to embrace -

TMMEC believes Tasmania has all the elements to see its renewable energy resources harnessed to the betterment of Tasmania for decades to come, a golden future for generations of Tasmanians. The assets are state-owned and therefore

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accountability rests here in Tasmania. The infrastructure is well-designed and largely fully depreciated and there are some wonderfully talented people employed in the respective organisations.

The element which TMMEC believes is not as obvious is the urgency and criticality being applied by key decision-makers across government and within GBEs to ensure the Tasmanian energy sector is globally competitive.

Would you like to comment?

Mr BARNETT - Yes, it is a very welcome observation by TMMEC, because we must do everything we can in Tasmania not just to be competitive in Australia, but globally competitive. It is a good objective to have, absolutely, and we would support that objective as a government. That is why we are very pleased with the fact we have low-cost, reliable clean energy in our target by 2022.

We hope to have the lowest regulated electricity prices in Australia for residential and business customers by 2022. We have a plan to do that. That plan is working. We are delivering on that plan, likewise to be 100 per cent fully self-sufficient in clean energy by 2022.

We are way ahead of the rest of the country in this regard. We are way ahead of most other countries in the world. I met with Professor Alan Finkel about two months ago, and he said if we were a country, we would be in the top three in the world in terms of clean energy.

This is something that is part of the Tasmania brand. It's natural and clean, and we can be proud of it. I am proud of it as the Energy minister, our Tassie first energy policy, and the Premier and everybody else in our Government is proud of it, absolutely.

Being globally competitive gives us this opportunity not only to progress with the Marinus Link, with Battery of the Nation and new renewable energy projects like pumped hydro and wind, but also renewable hydrogen. The National Hydrogen Strategy has just been released; the federal government is backing it with \$370 million. Tasmania has a real opportunity to lead the country when it comes to green hydrogen or renewable hydrogen. We are going to grab the opportunity to pursue that with both hands.

Mr FINCH - Another point Ray made about TasNetworks -

TMEC is asking for TasNetworks to continue to find business efficiency gains with the operational costs to ensure it offsets potential future increases in interest rates to keep transmission costs down.

Mr BARNETT - Yes, that's a good objective as well. That's a discussion I have with the board and the CEO reasonably regularly as to how to remain efficient and lean, sustainable and profitable. I might ask the Chairman or the CEO to respond further to that question.

Dr NORTON - It's a continual focus of management to ensure we find ways of doing what we do better and more effectively. You will recall that we had a major initiative several years ago in introducing a new software system to underpin our business. That project was a large project, over \$50 million, which came in on time and on budget. We are harnessing the benefits of that every

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day in the business. In our business, one of things that drives efficiency is having accurate data and having those data available to the workforce.

What we have been able to do is develop - and we are still developing - systems that enable people right down to the crews that go out in the trucks to deal with outages, to do maintenance and so on, to have much more accurate information on assets than they used to have. This is driving significant efficiencies, and I'd have to say it's revolutionising the way we work.

We have introduced a system whereby management and the workforce meet pretty much every day to analyse the work being done to analysis what lessons learnt from yesterday and to plan future work, and also to monitor the efficiency with which they are operating. We have crews all around the state and, for instance, on the number of poles that might be inspected and the number of meters might be read, we now have that information so they can compare how they are going versus other parts of the business.

I have been to these meetings myself and they are revolutionising the way we operate; they empower people and they also give people in the workforce direct feedback on their suggestions. This has been enabled by the software systems we have put in. We have put in a SAP system. It provides -

Mr VALENTINE - SAP system meaning?

Mr BURRIDGE - It's a German integrated enterprise resource planning system.

Mr VALENTINE - Thank you, that's enough.

Dr NORTON - Because we have now this system in place and we have the data and we have the capability of getting accurate data to our people, we are finding significant efficiencies in the way we work. This particular program was planned to deliver efficiencies. Ross Burridge was in charge of the project. If the minister is happy, I might ask Ross to speak to the savings we have achieved to date.

Mr BURRIDGE - The project cost about \$58.2 million, and it was delivered on time and on budget. Savings made over the 10-year horizon were \$69 million. It's accumulative savings so each year we build that savings target into the budget and when we achieve those annual savings, the saving builds up by \$3 million to \$4 million a year. It goes into the targets and the business meets those targets. That's how we realise the savings. There are a lot of other tangible benefits too; the Chairman has talked about the access to data and things like that which we didn't have in past.

Mr FINCH - If I might, Chair, one more point about TasNetworks from Ray Mostogl -

TMEC is waiting to see the business case of Project Marinus to understand how the cost recovery of the investment is intended to be recouped. TMEC strongly makes the case to ensure that Project Marinus investment and ongoing sustaining costs are islanded from the current cost base of supplying energy to all Tasmanians.

Mr BARNETT - Thanks for the question; it is a good question, and a fair one, coming from the major industrials and any business operator in Tasmania, and just to make it -

CHAIR - All of us who pay networking charges too.

Mr BARNETT - That's right - it is not just business. It applies across the board and it gets down to the cost of our electricity, whether it is at home, residential or business, so it is a very important question.

As a government, our policy position is very clear. We should not pay more than our fair share. I put it to the COAG Energy Council, which was agreed to by the COAG Energy Council, that the Energy Security Board, the experts in the National Electricity Market, would come back to the COAG Energy Council by 30 June next year with a model, a cost-benefit analysis and a fair pricing model for Marinus Link and other interconnectors. Marinus Link is a key interconnector for Tasmania and Victoria going to the mainland, and other interconnectors have been discussed, promoted and proposed all around Australia.

There is certainly a view that progress of the rollout of more interconnection definitely integrates and gets the system working better and more effectively so that we can keep downward pressure on prices, provide reliability and provide that clean energy.

That work will come back to the COAG Energy Council on 30 June, and based on that work and assessment, it will go to the COAG Energy ministers for consideration.

That assessment cost-benefit analysis is looking at the fair pricing allocation. At the end of the day, the Government's position is that we should not pay more than our fair share. What we are doing with Marinus Link will provide terrific benefits for those, not just in Tasmania, but across the nation, with downward pressure on prices, energy security, and in Tasmania, billions of [dollars] investment and thousands of jobs.

CHAIR - Just on that point of a fair pricing system, one could look at a fair pricing system as being Tasmania at one end and Victoria at the other, so half the cost goes to Tasmania and half to Victoria. Well, the population is a little bit less than Victoria and the rest of Australia, which is connected to the NEM, except Western Australia and Northern Territory. On what basis do you consider a fair pricing system to be in terms of being fair to Tasmanians?

Mr BARNETT - A very good question. That is why it was raised at the COAG Energy Council. That is why, on behalf of Tasmania and with support across the COAG Energy Council, we got a decision which would say, 'Let us look at the cost-benefit analysis of further interconnection across the country, including Marinus Link, and make that assessment.' We will get the experts to do that assessment because they will look at the cost-benefit analysis and then at a fair pricing allocation. That work will be done; it will come back to the Energy ministers mid-year and we will review that. At every step, I will be acting on behalf of Tasmania's best interests to ensure we get the best outcomes possible for Tasmania. That is absolutely a commitment. The current system is a little bit as you described, what is called the RIT-T process, the revenue investment test, and that is really an antiquated or an outdated system that needs to be updated. I think there is a general agreement around Australia, around the country, that it needs to be updated. We need a new approach and we look forward to the experts' feedback to us on 30 June, and we will review it then and there.

CHAIR - Will that be made public?

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Mr BARNETT - Absolutely.

CHAIR - Minister, has the business case been made public?

Mr BARNETT - Yes.

CHAIR - I have not had a chance to look. It was only yesterday.

Mr BARNETT - It was very early this morning.

CHAIR - We have been busy. I know it's available publicly, but can you provide a copy to the committee for the committee's records?

Mr BARNETT - Yes, I would be delighted to, and I was hoping to have the opportunity to do so. I would gladly like to table the business case assessment report and also the business case assessment summary document for the committee.

CHAIR - If I might just finish this. In terms of this business case, we have never actually seen the business case for Basslink in terms of the benefit, cost and all that sort of stuff. Is there any reason they cannot also be provided publicly? I think it would be an important comparator in terms of - I notice in the media this morning that there is an expected cost of \$3.5 billion. Basslink projected cost was from memory \$450 million to \$500 million, which blew out to \$760 million-odd. If this was similar, it would end up being \$7 billion. I am not saying that is going to happen. I am just saying I think it would be helpful. Can you also provide a copy of the business case from Basslink?

Mr BARNETT - It is probably not my ability to provide that. It is a matter between Hydro Tasmania and the proponent at the time. It obviously goes back to 2006 or thereabouts and, indeed, prior to that time. The question is for Hydro Tasmania, more so than TasNetworks, which has nothing to do with or is not associated with that agreement. It was an agreement between those two entities.

CHAIR - As minister for both, would you be able to check that with Hydro?

Mr BARNETT - It is a confidential agreement, commercial-in-confidence.

CHAIR - No, no, I am talking about the business case. I am not talking about the agreement with Basslink. We dealt with that at the last hearing.

Mr BARNETT - Going back to 2006 is a long time. That is what you are asking me to do? Is that what you are seeking me to do?

CHAIR - I just want the business case. We will write to you, minister, on that.

Mr BARNETT - Why don't you write to me and I will respond.

CHAIR - The committee will write to you.

Mr FINCH - I was not sure whether your answer, minister, to the Chair's question before was in respect of the question I am going to ask now, or the statement I am going to make on behalf of

the Tasmanian Minerals, Manufacturing and Energy Council. It remains concerned with the apparent stalling of the Treasury department's review of the election proposal to consider delinking the current electricity price from Victoria. TMEC provided a submission in January 2019 and has seen no progress since then. Hydro, did you suggest, it is?

Mr BARNETT - It is a fair question for the Hydro but just to indicate that Treasury is undertaking that work. It is ongoing. There is no stalling as far as I am aware. A report was released mid-year. EMCO, which is a consultant, did some work. It was made public. It had feedback from various stakeholders all around Tasmania. That feedback has been taken into account and more work will be done, and is required to be done, on that delinking.

It is an important policy of our Government to have the lowest regulated residential prices in Australia by 2022 and, likewise, regulated business prices by 2022. It is an important amount of work. It is quite complex and that work is ongoing.

It is a matter for the Treasurer, the Treasury and Hydro Tasmania specifically.

Mr VALENTINE - With respect to the eventual ownership of Marinus: what is the Government's intention? That it will stay in government hands or that it be privately run? Can you indicate the Government's position on that? Obviously, given what is happening with Basslink and some of the issues and problems it has had in the past, many people would be interested to know how you are intending to go forward on that.

CHAIR - Can I just add to that question. You asked who will own it.

Mr VALENTINE - How it is going to be funded as well?

CHAIR - Who will operate it as well as who will own it and, again, how the funding is likely to work?

Mr BARNETT - Thank you for the question. We have a few questions there but thank you for the question; it is a fair question and an important one.

A lot of those answers, unfortunately, cannot be provided as yet. There is much more work to do in working with the Australian Government. It has been identified as national infrastructure and a priority project. Likewise, it is deemed a priority project for the AEMO, the organisation which will release the integrated system plan in the middle of next year. A draft will be made available prior to Christmas this year so you will see its views on the importance of Marinus Link and where it fits in the time line and rollout in terms of how it services the NEM.

Questions around ownership and who pays are good questions, but we cannot answer those at the moment because the work I referred to earlier by the Energy Security Board has to come back to the COAG Energy Council by mid next year. This is long term. This is no quick fix. This is generational change, decades ahead, but the business case assessment says that it can be put forward and built by 2027. That's in the report and our Government supports that. We believe this provides opportunity for Tasmania in terms of billions [of dollars] of investment and thousands of jobs, but there's a lot more work to do and TasNetworks will be doing that. We'll be working with our federal colleagues and interacting with Victoria and other mainland colleagues. I communicated with Victoria, New South Wales, Queensland and South Australia earlier today, advising them of the business case assessment and I have given them a copy of that report.

Mr VALENTINE - You can't tell us what the funding mix is likely to be?

Mr BARNETT - I can refer you to the CEO. It's recommended to be a regulated asset, which means there's a regulated return in terms of income that goes to whoever owns that asset.

CHAIR - That makes ownership really important.

Mr BARNETT - It identifies whether it's regulated or unregulated. The view of the business case assessment is there's merit in it being a regulated asset so that fair assessment of the income is distributed accordingly. I'll pass to the CEO, who can outline the importance of that.

Mr BALCOMBE - In the Marinus Link asset being regulated, we're also talking in regard to the on-island transmission upgrades that are required because you can't have one without the other. In regard to regulated assets, as the minister indicated, they are subject to scrutiny. That ensures that customers aren't paying too much for those assets, assuming there is some understanding that the framework for how it is paid for has to be established through this COAG process.

From a point of view of ownership, they provide a regulated, stable return. There's no end of owners available who have appetite to own regulated assets such as these. The fact that the asset is regulated also makes it a good proposition for debt providers to provide debt to the project, so we could probably be providing about 70 per cent of the debt over the life of the asset.

We're about to embark on the next stage of the project, which is what we are calling the design and approval stage, and that's broken into two components. There's a phase up until about March 2021, during which we'll do detailed design on the project. We'll progress the environmental approvals process. We're doing more subsea surveys. We'll do a lot of stakeholder engagement in regard to on the both subsea components and the terrestrial components in Victoria and Tasmania. We have a hold point around that March 2021 date, which will have a technical specification developed for, in particular, the converter stations and the cable itself. That represents an important hold point because we want to make sure that the business case remains viable and robust before we go to tender. Then we're planning, should we proceed - and we're very confident we will proceed - to take the project through to financial close around the end of calendar year 2023.

By that time we hope to understand what the ownership structure is, certainly what the operating structure is, and who the operator is. TasNetworks could be the operator, but we have to understand what it means to be the operator, because there's a commercial perspective on that. It depends on the appetite of the owner as to who the operator is. We don't have skills in that sort of infrastructure. We do in the transmission infrastructure, and that would most likely form part of our regulated asset base in any case. From a perspective of the high voltage direct current - HVDC - components, the cable and the converter stations, we don't have those skills at the moment, but we could acquire those as part of the process. The next phase will establish a lot of these elements.

How we fund it, how we finance it - a critical path item is how it's paid for, environmental approvals et cetera - these things will be developed over the course of the next three years.

CHAIR - Does the Government have a preference? I am not trying to put you in a box here, but a preference to the ownership and operator model at this stage, or not?

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Mr BARNETT - It is a fair question. As Lance has outlined, with some of the key initiatives, there is a lot of work to do between now and the financial investment decision in and around the end of 2023. At the moment, we are going through the design and approval process.

We are not in a position to advise the public and/or others, other than to be aware of the very many options. We can see, as consistent with the business case assessment, the merit of it being a regulated asset, which would at least provide some confidence and security for an owner and operator in terms of getting a guaranteed income flowing. It is a regulated asset as opposed to an unregulated asset.

Ms WEBB - Can I follow up on that? You have to know ahead of 2023 what is the timeline back you are likely to be putting something firm in place on the owner and operator model?

Mr BARNETT - It is fair to say we will be working with TasNetworks and it will be working with the Government. We will be working with the Australian Government and liaising weekly with mainland governments, particularly Victoria, on the design and approval process, looking at the options with ownership and operation of the asset. It is way too early to tell in terms of exactly the model.

Ms WEBB - I am not asking you about the model. I am asking you about the timeline: 2023 is when the project is completed. I imagine you will know something at a certain distance back from that. What is the timeline? When are you likely to know? Is it going to be before 2023?

Mr BARNETT - Yes. Lance has outlined a stage gate in mid-2021. The financial investment decision is in 2023, so we have about three years for the design and approval process before it is then full bore building through to having it in place by 2027. That is in the Business Case Assessment Report, the stage gate in 2021.

Mr BALCOMBE - Ideally, we should have a pretty good idea of the ownership structure by the time we take the project to tender, which is around that mid-2021 date. Suppliers will be keen to understand who the owners are.

Dr NORTON - They would want to know who the principal is, who they are dealing with.

Mr BARNETT - It is fair to say probably late-2020-21 for that mid-stage gate decision. We will be in a very good position to have the answer.

Ms LOVELL - Minister, the state Government has received \$76 million in funding from the federal government for the Marinus business case. Can you give us a breakdown on how much and how that money has been spent to date?

Mr BARNETT - Yes, it was a sum of \$56 million, which was agreed around February this year between the state Government and the Australian Government. The breakdown of the spending of that \$56 million and the work TasNetworks has undertaken, I will pass to the CEO to respond.

Mr BALCOMBE - I might also mention, minister, we received \$10 million for Marinus.

Mr BARNETT - To do the business case assessment.

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Mr BALCOMBE - That is part of the feasibility and business case assessment.

Mr BARNETT - I will jump in. We have also received \$17 million for energising the workforce - that is \$17 million to prepare the workforce for the future - from the Australian Government.

CHAIR - As an addition to the \$56 million? These are all additional?

Ms LOVELL - Is that specific to Marinus?

Mr BARNETT - Specific to Marinus, yes, and the Battery of the Nation plans we have in Tasmania. That funding is being worked through with the Tasmanian Government, minister for Education and Skills Tasmania, for building the capacity in our workforce for the future. That commitment has already been made, for which we are very grateful.

The \$56 million Lance can outline to you is to progress, as soon as possible, the design and approval process - which is what we are in at the moment - with respect to progressing Marinus Link.

Mr BALCOMBE - Thank you, minister. We are in the ramp-up stages for that design and approval phase. I will pass to Bess to give a bit more detail. Our focus has been on completing the business case assessment and feasibility study. That was really a stage gate to take us to the next stage for the design and approval stage, albeit we have had some preliminary spending against that money. I might have Bess give us a bit of detail.

Ms CLARK - The long lead-time items to get us to the financial close or the final investment decision. Ultimately, you need to have your planning and environment approvals, and to have those approvals you need to also have a sense of what are you building and where is it going. The work we are doing is supported by that Commonwealth funding and is really to help us progress the route selection work and gain access to the route to be able to do all the necessary sampling surveys, plus all the community and landowner engagement so we have the information needed ultimately to lodge environment and planning approvals and to progress those through the process. In parallel with that, we will have all the technical data we will need for the approvals process as well to understand how big these cables are, how wide any required easement might be et cetera. What impacts will there be?

Basically, the funding allows us to keep that work going, because it is long lead-time work and we need to keep that going to be able to meet the 2027 in service state.

Ms LOVELL - Can you give us a breakdown of how much has been utilised so far and on what?

MS CLARK - Yes, to date we have spent in the order of \$3 million and, with the confidence of it, have commitments: for example, we are going to tender for further marine survey work and that will be undertaken over the coming months. Marine surveys are quite expensive items. They are important items, obviously, if you are building undersea cables. We are continuing all the landowner engagement we started in the north-west, with more to come. Basically, we kick off next January and February and then we will do the survey work and geotechnical surveys.

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Our intention with that funding, is we will have a program that will see us get to around the third quarter of next year.

Ms LOVELL - Are you anticipating needing to seek any more funds to finalise the business case or throughout that process?

Mr BARNETT - Thank you for the question; it is a good question. To clarify, the \$17 million is from the Australian Government to the Tasmanian Government. It is not going through TasNetworks, and that is where Skills Tasmania's, the Education department's and Jeremy Rockliff's responsibility is to build that capacity of our future workforce.

The answer is yes, we will require further funding to progress the design and approval process.

CHAIR - In addition to the \$56 million?

Mr BARNETT - In addition to the \$56 million, because it does take some time. Bess can outline the sorts of things that need to be done in the design and approval process. We are in ongoing discussions with the Australian Government. We have appreciated the \$56 million. We are having further discussions with it on further funding support for the remainder of the design and approval process.

CHAIR - Before you go back to that, Bess, you said you had spent \$3 million of the \$56 million to date. The Treasurer's annual financial report indicated \$6 million had been spent.

Ms CLARK - We had ARENA funding. I am sorry; I would have to take that on notice.

Mr BARNETT - I think that refers to the government scheme.

CHAIR - It does not refer to that \$56 million?

Mr BARNETT - Yes, that is part of the \$56 million.

Mr BALCOMBE - My understanding is the Government also has to gear up to support this project.

CHAIR - In Treasury?

Mr BALCOMBE - Certainly, I would think more Department of State Growth. They have brought on some more personnel to support the work from the Government's perspective. We will see \$50 million of that \$56 million. We had some deliverables we had to meet as a business to qualify for that money. We are in the process of having that signed off and should see it over the next month or two. At the moment, we have been funding this out of our own resources, but given the project, the next stage has not geared up that far; it has been quite affordable within our existing cashflows.

Ms LOVELL - Minister, I know the business case was released this morning. When was that received by you or your office?

Mr BARNETT - We have obviously been in touch with the board of TasNetworks and received feedback from TasNetworks' board from time to time. It has a draft report and has just

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concluded its final report. I am looking at the Chairman to indicate whether he can respond in a moment. We have to receive that final report and then consider it carefully; then we want to release that, which we have done with TasNetworks to date.

Dr NORTON - The board of TasNetworks approved a package of papers at its board meeting on 28 November. We had the business case assessment report and an overview report, and also some documents relating to what we call the PADR, which is the project assessment draft report, which we need to publicly release as a part of the AER approval process. We approved this package of papers on Thursday 28 November and I think we forwarded them to the Government on 29 November.

Mr BARNETT - On behalf of the Government, I can clarify that is correct - I am sure it is. We then have to go through our normal processes and through Cabinet. That would indicate to you that this has to occur to review the report, consider it in Cabinet and then respond accordingly.

Ms LOVELL - We spoke before about work being done at the COAG level on the cost analysis of the pricing of the power once the link is up and running.

Mr BARNETT - I will clarify that it's not just for Marinus Link, it's for interconnectors across Australia.

Ms LOVELL - My question now is about the \$3.5 billion for funding the link itself. What conversations have been had with other states around who will fund the link, and what proportion of that cost is the Government anticipating or expecting other states to cover?

Mr BARNETT - That's a good question. That's exactly what is being reviewed and assessed in a cost-benefit analysis and fair pricing allocation between now and 30 June new year. The Energy Security Board has been asked by the COAG Energy Council to do that work. They are the experts; they will no doubt consider how it works now, and the restrictions and adverse impact about that now, and then roll out and provide some options to consider or a report and recommendations on 30 June next year.

Ms LOVELL - That is part of that work being done?

Mr BARNETT - All that will be part of the work.

CHAIR - Minister, to clarify what Sarah Lovell has been asking: in your view, how much, if any, should Tasmania pay for the \$3.5 billion estimated cost of the Marinus interconnector should all the ducks line up and approvals be received?

Mr BARNETT - There are two things: the work being done with respect to the allocation and pricing allocation. That's very important work to come back on 30 June to the COAG Energy Council. With respect to the \$3.5 billion and who pays, that will be decided in advance of and by the financial investment decision in 2023, quite probably before that. Those discussion will take place between us and the Australian Government, and no doubt other governments, but it is very important. There is much more work to do before an answer to that question can be provided.

CHAIR - You don't have any view on whether Tasmania should pay anything or nothing?

Mr BARNETT - I have indicated on behalf of the Government on a number of occasions and I'll say it again now: we in Tasmania would only pay our fair share and no more.

CHAIR - Of the construction or the operation?

Mr BARNETT - Of the cost of the cable, the interconnection.

CHAIR - The cost to build and install and hook it up?

Mr BARNETT - The cost of the interconnection.

Mr BALCOME - There are two elements here. What happens is the asset gets built as a regulated asset -

CHAIR - Assuming it is a regulated asset.

Mr BALCOME - That's right, the plan is that it will be a regulated asset. The regulator signs off on that. There is a process we go through with the regulator to get it approved as a regulated asset. Two things happen with that: it gets capitalised so someone owns it, and then it gets funded from a point of view of debt. That is the ownership model, but then there is a price recovery model. Following the regulator approving that, it is a regulated asset, and they then make a pricing decision on it, which is how the revenue with regard to the asset is recovered. That is effectively the cashflow that provides a net return and funds the debt and pays all the operating costs.

It's that pricing mechanism that the Energy Security Board has been tasked with by the COAG Energy Council to go and examine. Pardon me, but there was a bit of a mixing of funding and how it's paid for. There is a discrete process -

CHAIR - There is a cost recovery-type process whatever owns it and operates it.

Mr BALCOMBE - Correct. It is how it earns its revenue and who pays that revenue, and that is going to be determined through this process.

Ms LOVELL - To clarify, because this is not an area that I am particularly familiar with, \$3.5 billion is the estimated cost for establishing, building, construction, setting it up and having it up and running. That will be paid for by somebody, presumably the owner, whoever that is determined to be. The work that is being done at COAG which is due back around 30 June is to do with the cost analysis of the pricing, which will incorporate some sort of cost recovery for that construction cost. Is that correct?

Mr BALCOMBE - Correct. Basically, the owner has made an investment so it's a \$3.5 billion investment albeit - I don't want to complicate it - some of that will be owned by TasNetworks, the on-island component, but extensively what we need to do is to clarify -

Ms LOVELL - How that will be recovered?

Mr BALCOMBE - It needs to fund that investment. It needs to get a return on the investment and fund the operating costs annually.

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Ms LOVELL - At this stage we don't know. I guess my question is, and what I am trying to get to the bottom of: how much is it expected that the State of Tasmania will be responsible for out of that \$3.5 billion?

Mr BARNETT - Thank you for the question. I think Kerry's earlier question and your question are linked together. You are thinking of the business. The Chair was talking about other customers and you are talking about customers.

The answer to that is that that work will be done between now and 30 June in terms of a fair pricing model for consumers. Our position, as the Government, is that we should not pay more than our fair share, knowing that we have a plan for energy security in keeping downward pressure on prices. Having said that, the Chair has been keen to make a contribution.

Dr NORTON - What these national transmission infrastructure projects do is impose a cost because somebody has to invest in them and you have to get revenue recovery. But at the same time, the whole aim is to deliver energy at a lower price than it would otherwise be delivered.

As far as the customers are concerned, there are two things: they have to pay a bit more in transmission charges, but they get a more than commensurate reduction in energy costs.

CHAIR - Like generation costs?

Dr NORTON - The energy component of their bill. If that didn't happen, you wouldn't get these investments being ticked in the first place. The work we have done shows that when you look at the Marinus Link, the benefits in terms of downward pressure on energy costs more than offsets whatever costs are incurred from a transmission perspective.

The work the minister has referred to is really looking at where those benefits from lower energy costs occur across different jurisdictions. It is a complicated issue - a lot of modelling is required - but those two things work and the reduction in energy costs from these national transmission projects, like the Marinus Link, should more than offset whatever transmission cost is incurred by having to return an investment on the new transmission.

Ms LOVELL - I suppose the question for most people is how will that play out for Tasmanians in terms of the investment the state is putting in and the benefit Tasmanians will receive from that?

Mr BARNETT - Absolutely, and a good question, a fair question, no problem, understand and we're all over it.

The business case assessment released today indicated that the benefits for the National Electricity Market was between \$600 million and a bit over \$3 billion. Picking up on the Chair's point, that means there's benefit for the NEM in downward pressure on prices. It is no good doing all this if it's not going to benefit the NEM. Why would you do it? We're doing it because we can see there is a benefit in it. We've done the business case assessment. It has been released today and it says there is benefit for the NEM and there'll be downward pressure on prices, and that's a good thing.

To make it very clear, we can't answer these questions until we get closer to the financial investment decision. That will take time. There is a lot more work to do and we're working furiously behind the scenes, I can assure you, and in the time ahead there's much work to do.

Ms LOVELL - The unanswered bit is who will own it and who will operate it, and that's where we'll understand that.

CHAIR - We'll go to Kerry. We're going to have a short break at 3.30 p.m. for a cup of tea and so you can plug your phone in and stuff.

Mr FINCH - Thanks, Chair. A couple of things I wanted to touch on. First, it's just something that Mr Balcombe was saying before about outsourcing and going to tender for something. We had some evidence given to us as a committee that TasNetworks has a big outsourcing program and things that used to be done in-house have now changed with the ring-fencing and competitive fencing, and so things have to go out to tender.

I am wondering, minister, whether in that process as we talked about before with Hydro - jobs, job, jobs - how diligent are we being in ensuring that Tasmanians have a crack, have an opportunity? Maybe in some ways, they should be advantaged to a certain extent, to try to either make sure Tasmanians get the job or that when we do outsource it, it means that jobs are coming to Tasmania.

Mr BARNETT - Thanks for the question. Absolutely it's very important for all Tasmanians, and there are two things. As a government, we support local jobs wherever possible. We have a local jobs policy across government. Second, we can't breach section 92 of the Constitution which is that trade and commerce between the states must be free so there is a constitutional issue there. But we are absolutely pro-Tasmania and pro-Tasmanian jobs wherever possible, and Lance will indicate how that rolls out through TasNetworks.

Mr BALCOMBE - Thanks, minister, I'm not sure we have a large outsourcing program. Certainly, from a point -

Mr FINCH - Sorry, I might explain. That's the evidence that has come to us. I'm giving you the opportunity to refute that.

Mr BALCOME - Certainly, we use contractors; there's no doubt about that. However, we have a long-established and stable field workforce right across the state. We use contractors where we want to flex up or where we have specific programs of work where we don't want those contractors to be interrupted by normal day-to-day interruptions, which we can often get in our business, such as the weather over the last couple of days where we have to pull them off jobs and that creates inefficiencies.

Page 54 of our annual report shows that of our total percentage of purchases, 72.1 per cent were in Tasmania. I am cognisant of the fact that as a network business, there are components that simply aren't made or sourced in Tasmania. I'll give an example: we use transformers. You've seen many pole-top transformers in the network; we install hundreds of those per annum. We would source quite a few of those from the mainland and some overseas. We obviously can't do that.

We certainly have a procurement process where there is a weighting - I'm looking at Ross here because he oversees procurement in his area - for Tasmanian content. We're very much focused on that and where possible we also use contractors that have a Tasmanian presence. I will give you an example of that. Zinfra, we use for quite a lot of our overhead work. We use them for that flex work. They have a Tasmanian presence. They have a depot in Launceston and they have a depot in Cambridge very approximate to our Cambridge depot.

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The other comment you made, Mr Finch, was with regard to ring-fencing. Ring-fencing was brought in as part of a new set of electricity rules that commenced in December 2017. Basically, that meant we could no longer perform certain parts of work we had traditionally done. That was generally work performed what we would call 'behind the meter', and other contestable work, such as the telecommunication services and data centres.

The Australian Energy Regulator and the rule maker, the Australian Energy Market Commission, in their 'wisdom' suggested that customers would benefit through competition. If businesses were to occur within a distribution business, they would be ring-fenced and made competitive. We have created a business called 42-24, which generates revenue from telcos, data centres and telecommunications' backhaul. We have done some interesting work on the west coast in association with the NBN and Telstra. We have built a new feeder to Mount Read, which has helped supply the west coast. It also operates our component of the microwave system that supports the Tasmanian government radio network.

Basically, we had a rule which meant we had to go and partition that business. We had to put in a new management structure. At the moment, it can still operate on our premises but if we go into another layer of service, which is called energy services, where there are some revenue opportunities, we have to go and relocate the business, take it off premises and set it up with its own systems. The ring-fencing is more about our structural arrangement and how we can earn certain suites of revenue streams. It's not so much about the work we are conducting.

Mr FINCH - Would that have been the reason why street lighting maintenance was outsourced to a Queensland company? Work done by Tasmanians for 90 years has been outsourced to a Queensland company. Is that correct?

Mr BALCOMBE - I would have to take that on notice. I am not sure of the Queensland company you are referring to.

Mr FINCH - Please do, because that was evidence that came to us. It means that Tasmanian employees, your 1005 employees, some of them are sitting around while that work is being done by a Queensland company.

Mr BALCOMBE - I am very comfortable that our Tasmanian employees aren't sitting around. One of the challenges for street lighting work is that it is dispersed. As the Chairman said, we are doing a lot of work on increasing the efficiency of how we undertake our work. You might have a street light out in Sandy Bay and one in North Hobart, it is not particularly efficient and it interrupts the normal flow of our program of work. It is probably amendable to being outsourced.

One of the things we are very focused on is making sure that our workforce is fully utilised and we are targeting about 85 per cent. I can assure you that we don't have people sitting around while contractors are doing work. If that is the question, I refute that, respectfully.

Mr BARNETT - To add to Lance's answer, I raised this in terms of the importance of local jobs, Tasmanians doing the work from time to time, with the board, and Lance and they will tell you that. I was able to launch the apprenticeship program, taking on linesmen, electricians and apprentices. It is a very successful program taking on younger Tasmanians -

CHAIR - We might come back to the workforce questions after the break.

Mr GAFFNEY - The environmental consultation group, Coffey: what is their role, when were they engaged and who engaged them?

Ms CLARK - Coffey was selected through a competitive tender process that we ran for services to manage our environment and energies planning process, and to help us with our route selection work and the approvals framework in Tasmanian, Victorian and Commonwealth waters. We went to a competitive tender process for a professional services firm. Like many large professional services firms, they brought together a consortium of expertise. Coffey themselves have expertise but they also have a high range of service providers.

They have also worked with companies like Entura. They have a consortium of companies, including Tasmanian companies. They have been doing work with us for the last 12 months or so. I can check the exact engagement.

Mr GAFFNEY - That would be helpful. When was a connection agreement received by TasNetworks from UPC, and have any other connection agreements been made by proponents in the north-west?

CHAIR - We might go into those after the break because we are going into a slightly different area. There are a few more questions, Mike, if you are happy to do that.

The Committee suspended from 3.31 p.m. to 3.45 p.m.

Mr GAFFNEY - Minister, a couple of questions regarding some of the work being done on the north-west coast between Hampshire and Staverton, but some other ones would be good to have. The involvement of UPC Renewables: when did they become involved and what is their role?

Mr BARNETT - Thanks very much for the question. I will pass to Bess to respond to those operational matters. UPC is obviously a separate entity from TasNetworks. TasNetworks is the jurisdictional planner for Tasmania which has overarching responsibility in that regard. Obviously, in matters relevant to UPC, it, as a private company, has some things we can share but we cannot go too far representing their interests. Having said that, I pass to Bess Clark.

Ms CLARK - Yes, and this is an example of what we talked before about AEMO identifying renewable energy zones and us having a role as TasNetworks as Tasmania's jurisdictional planner in planning the transmission network. In looking at the work for the Marinus Link, we knew there was a renewable energy zone in north-west Tasmania. We knew we also have existing and potential resources in central Tasmania. Wayne's team looked at how we could both connect Marinus into the Tasmanian network and do that in an efficient way that also moved those wind, hydro and pumped hydro resources we have and expect to have over the coming years.

As a result, we developed a supporting transmission plan in north-west Tasmania. This includes a corridor from Hampshire to Staverton, which is on the way to Sheffield. That is expected to start life as a connection asset for UPC, because it will facilitate the connection for them where they will build a private line from Hampshire through to Circular Head. However, we are also running a regulatory investment test, because we see that line could provide benefits for many customers in moving energy around our network efficiently.

CHAIR - From Hampshire to Circular Head? That line.

Ms CLARK - No, just from Hampshire to Staverton. It is just a ring. Burnie is where we are coming into Tasmania and south to Hampshire. I think you have a map there. South to Hampshire, across to Staverton using existing transmission lines to Sheffield and then back up to Burnie. It is basically a ring that allows us to connect west coast wind and potential new wind. It allows us to connect Hydro and potential and pumped hydro in the Mersey, Forth or west coast areas. It allows us also move energy from and to the south of the state, where we also have wind and existing and potential hydro. It is a ring that allows us to move energy efficiently around the state.

Mr GAFFNEY - It says in one of your releases that TasNetworks explored a number of potential corridors to host new electricity between Hampshire and Staverton. How many is 'a number' and where is that process up to at the moment?

Ms CLARK - That is some of the work Coffey has assisted us with, working closely with Wayne's team and other teams in TasNetworks. We start saying our planning identifies we need to get from Hampshire to Staverton. You start with a straight line and say if you could do that, that is what you do. You can almost never do that, so you would start to identify the constraints there, whether they be mountains, rivers, scenic reserves, all manner of things. We basically looked at lots of works and data, then short-listed three of what we called 'feasible corridors', one that went north - one that went through the middle and one that went to the far south. We have done further work and have narrowed it down to what we call our southern, as opposed to far south, essential corridor. No corridor is without constraints, so we are trying to find the corridor with the least constraints. The work we have done is based on all those data we have access to at the moment and suggests the corridor that we have identified is the favourable one.

Now we need to get onto the land - work with the community, understand the local considerations, do the sampling, make sure we can build on the land, make sure there aren't threatened species, for example, that we haven't identified. While we have identified a preferred corridor for now, we are starting that engagement now.

Mr GAFFNEY - Can you explain the upgrades mentioned in the newsletter, from 110 kV to 220 kV? What does that mean to the layperson when you say an upgrade? I want to get it on the record. It is quite a reasonable size difference. Can you explain to the committee what that means?

Ms CLARK - This particular corridor has a whole section of new transmission - there is no existing transmission. It also has a section that will run alongside the existing 110 000-volt network that goes from Burnie down to the west coast. It's a significantly higher structure because it's carrying higher voltage electricity and it requires a wider easement. It is an increase in scale.

Mr GAFFNEY - Do you know how many metres?

Ms CLARK - I have a diagram somewhere. The new ones are in the order of up to 60 metres; they can be between 48 and 60 metres.

Mr GAFFNEY - Do you know what the distance you have to have between each of the poles or the towers for the transmission?

Ms CLARK - We are proposing a corridor for a 220 000-volt line, which is 60 metres. It's prudent to secure a bigger corridor to futureproof the network so we are actually looking at having a 90-metre corridor that could facilitate future investment, should it be required.

Mr GAFFNEY - Some concerns have been raised; as you and I appreciate, there will be concerns wherever you are going to put the line, but with the Leven Canyon and Bluff and a lot of the areas around there, because the topography is quite steep and there are canyons and ravines, to put a 60- or 62-metre tower on top of one of those and have a 90-metre-wide easement and clearing under the transmission lines is going to be quite an impact visually.

That's what some of the people have come to see me about: the visual impact in that area. A lot of people own land through the easement. It is private land compared to somewhere further south, where there might only be one or two landowners.

CHAIR - If you could identify more clearly where that line is, how much private land there is and who owns that private land, this might allay some of the fears.

Ms CLARK - This is a very high level indication - that's just a version of what you have here. We have identified this corridor on the basis that it has quite a large section of existing managed forestry on the easement, on more than half of that corridor. We are running public workshops at the moment - we had two last week in the north-west and we have two this weekend - to explain the process we have undertaken to select the corridor, the things we have taken into account, and also to hear from landowners in that community about what other things they value, and the options they see we should consider. That is all taken on board in our feedback so that we can consider a route that can be approved and will minimise things like visual impact.

CHAIR - Hampshire to Staverton - can you outline how many private landowners there are in that area?

Ms CLARKE - There are some private commercial forestry owners, they are the largest owners there; then there are in the order of a dozen owners in total. There are some in the Staverton area and there are some around the Loongana Valley area. We have contacted each of those. On top of that, in that broader community there are people who are potentially adjacent to the corridor who are clearly very interested in the project. As we continue our engagement, we will bring more detailed maps and more information - like tower-siting heights and visual overlays - but, as we are starting this process, we also don't want to mislead the community by saying this is all sorted or that we know exactly where it's going. We want this to have a degree of iteration with the community as we get feedback and take that into account as we move our plans forward.

Mr GAFFNEY - Is UPC underwriting the proposed Hampshire to Staverton line? What guidelines and constraints has UPC given to TasNetworks, Marinus or Coffey? Do you have time lines and a dollar value? Can you explain some of those?

Ms CLARK - As I outlined, that is part of this work we've done, in effect, to unlock the renewable energy zone for a range of potential developments in existing assets and to support the flows to and from the Marinus Link. As part of the Marinus Link business case assessment, that ring also includes the tail off down to near Cressy to join our southern network. That is all considered as part of the overall \$3.5 billion investment we're talking about.

That is why we talk about the Marinus Link and supporting transmission. There is this supporting transmission in Tasmania to be able to unlock energy to move to and from the link and underpin the value of the link. UPC has a proposal and, even independent of the Marinus Link, they wish to connect to our network. We have basically said, 'Here's our plan and here's an

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opportunity that you could connect, initially, potentially into Staverton, and in the longer-term at Hampshire, as that becomes part of the shared network.' Over time the charges they would pay would be expected to change as other customers start to use that network.

Mr GAFFNEY - It was suggested to me that the link may have been better if it was further south.

CHAIR - Further south than the one they're talking about now?

Mr GAFFNEY - Yes, further south than the one we're talking about. It was to go behind Black Bluff and not cut between the Leven Canyon and Black Bluff, which is what it seems to be doing. The Leven Canyon is a very big tourism attraction for the north-west coast. Will this be seen from the Leven Canyon when people go to see Tasmanian wilderness? People are worried about that kind of impact on the clean, green image we are giving. Then, there's a transmission tower 62 metres high and 90 metres wide straight through this pristine area.

CHAIR - A scar on the landscape.

Mr GAFFNEY - Yes, it will be.

Ms CLARK - Yes, we've taken it on board. There was a previous proposal being considered that wasn't being considered by TasNetworks that had potentially more impact on the Leven Canyon. We recognise and we have very strong feedback from the community, including the council, that Leven Canyon was very important to that region. We have proposed our line as such that, basically, you have to be at the upper lookout at the Leven Canyon and looking in a particular direction to just see the top of the tower. If you stand at that lookout, you can also see timber and forestry operations and other things. We have designed the line in a way that we think has acceptable visual impact but that's a process we're still working through.

Mr GAFFNEY - Thank you. You did say you are going to find out when you signed Coffey on, so if you could get back to us about that -

Ms CLARK - I did. We signed that contract in October 2018.

Mr GAFFNEY - Okay. Thank you.

CHAIR - You've made it pretty clear that Marinus Link would be a regulated link.

Mr BARNETT - We haven't said that. The business case assessment has recommended or at least highlighted the benefit of Marinus Link being a regulated link and we take that on board; we think there's merit in that, but we aren't finally fixed on that. There may be other views put. As a government, we have to take on board all of that and we can see the merit of a regulated link.

CHAIR - This is addressed to you, minister, because it intersects with Basslink, which is a Hydro concern and not with TasNetworks. Given the existence of Basslink, which is a privately owned and unregulated facility, doesn't this automatically impose constraints on Marinus via National Competition Policy? I ask you, as minister, what exactly are the constraints? How can another link subsidised by government operate in the same market as the existing Basslink and what could happen in 2031?

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We are looking to the future here, but this is a long-term asset we are talking about. If Hydro perhaps did not renew the Basslink service agreement and could become a regulated link that competes directly with Marinus Link, how would that work? I cannot imagine Basslink and Keppel ignoring this happening.

Mr BARNETT - That is a matter for Basslink, Keppel and Hydro Tasmania. They have contractual arrangements in place, as you have referred to, and what they decide to do in 2032 is clearly a matter for them.

We have released, through TasNetworks, the business case assessment today and that highlights the merit of the regulator link, the Marinus Link.

CHAIR - Are there any constraints by National Competition Policy in terms of a regulated link being the recommended approach taken in the business case in terms of Basslink in its existing capacity?

Mr BARNETT - I am happy to pass to the CEO, but I am not aware of any constraints you are referring to. I might be misunderstanding the question.

Mr BALCOMBE - I am not aware of any constraints from the competition perspective. One of the things we have examined was how Marinus Link would operate as a regulated interconnector alongside Basslink as effectively a merchant link. For all intents and purposes, Basslink has an operating profile similar to how a regulated link would work anyway.

From an operational perspective, we do not see any perspectives on that.

CHAIR - You do not see any conflict with National Competition Policy in that regard for Marinus?

Mr BALCOMBE - I am not aware of any. I am happy to take the question on notice if you would like us to examine that, but I certainly am not aware of any. There have not been many merchant interconnectors and generally, when they have been merchant interconnectors, they have generally reverted to regulated interconnectors.

When they have been merchant interconnectors, they happily operated alongside other regulated assets. South Australia to Victoria - there was one merchant interconnector, but there were other regulators. The Haywood interconnector is a regulated one. I am unsure; I would have to take the question on notice, but I am not aware of anything.

CHAIR - Would you take that on notice? It is important in the overall assessment. We already have an interconnector operating. This is a second interconnector that is being proposed which has now been shown through the business case to be commercially feasible, which is great news for Tasmania, as long as we do not have to pay for it ourselves as taxpayers of Tasmania, and we are here to represent them, as you are also. If you would do that, we would appreciate any feedback you could provide.

Mr BARNETT - I emphasise again: with respect to Basslink, that is a matter for Hydro Tasmania and Basslink

CHAIR - I am talking about Marinus now.

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Mr BARNETT - If it is related to Marinus, absolutely happy to get back to you, but I am saying I cannot interfere with the Hydro Tasmania and Basslink agreement. It is a private matter.

CHAIR - I am not asking you to do that. This is about Marinus and how it fits into the picture in any competition issues that may arise as a regulated link.

Mr BARNETT - Happy to respond. I will go to one other question and then come back to some staffing arrangements.

CHAIR - You may wish to declare an interest in this, minister, and I accept because of a family connection, but I am representing farmers here, talking about the opportunities for them under the emPOWERing Farms project, which would facilitate farmers being able to use the energy generated on their property across a number of metered sites. You all understand on that side of the table what I am talking about here.

In our stakeholder engagement meetings, we talked to the AER about the barriers to doing this and understand it is a national regulatory issue. If I could ask the minister, through you and possibly to the CEO, what exact regulations would preclude a farmer sharing their own generated power across the network when they generate it on their own land and can feed it into the grid at a particular rate, which is quite low. But then if they have to buy it back, on the same farm, for a different meter for other purposes such as irrigation or other, they have to buy it in at the top rate.

I understand all the networking issues with that but if someone could address me about the regulatory barriers to that and what the emPOWERing Farms trial might be.

Mr BARNETT - Thank you very much for the question. I will declare an interest in terms of a perception. The conflict of interest is that my brother, Mark, is involved in a business called Xenergy, which I think you will know; it is on the public record so I am declaring that.

CHAIR - Yes, that's why I made the point.

Mr BARNETT - Thank you for sharing that and I am responding to indicate that he is involved in that. I am not involved in any way, shape or form with that business, Xenergy.

CHAIR - No, and I'm representing the farmers who may benefit from this.

Mr BARNETT - That is right. Having said that, likewise I have had representations from a range of farmers on this. There appears to be a trading concept - Agri-Energy Alliance, Sustainable Tasmania Energy Cooperative, and indeed other farmers. That is also noted.

I think you have raised some good questions. I will pass to the CEO to respond but just to indicate that at the COAG Energy Council, I put forward the recommendation to COAG Energy Council to look at what is called regulatory sandboxing and to provide opportunity for peer-to-peer trading. That was supported by the COAG Energy Council, and that work is to be done by the third quarter of 2020. When I say work 'to be done', for that option and possibility to be pursued.

CHAIR - The sandbox trial?

Mr BARNETT - Yes, that's right.

CHAIR - Is that playing nicely in the sandpit?

Mr BARNETT - It's a bit like playing nicely in the sandpit where they can do those trials and do that work, do the peer to peer; and it was supported by COAG. I did that for and on behalf of the farmers and the representations I have had.

Having said that, I think it is best for the CEO to explain the NEM and the rules around empowering farms.

CHAIR - The questions are then, what regulations prohibit this and a time line for the emPOWERing farms trial, which is the sandboxing trials, and how will the participants be chosen in terms of that trial?

Mr BALCOMBE - Thank you for the question, through you minister. One of the challenges, as you have indicated, Chair, is that if I'm a farmer and I have excess energy through solar generation on one part of my farm and it's on a separate meter to another source of supply on my farm, at the moment I'm unable to offset the excess usage on one meter. It flows back into the network and I get a feed-in tariff as opposed to offsetting my electricity consumption on the other meter.

I'm not sure of the specific rule. We can let you know but the rules don't allow that offset at the moment.

CHAIR - Could we get that one, the specific rule?

Mr BALCOMBE - I'm not sure whether Wayne has that handy.

Mr TUCKER - It's really about the pricing structures and the way the pricing is undertaken for the network charges.

Mr BALCOMBE - We can give you some more detail on that.

One of the things we are doing is we are running an emPOWERing Farms trial. I suppose there are a couple of opportunities around an emPOWERing Farms trial. One is to understand the technology that we need to do to incorporate to allow that sharing and offsetting, also to understand what the rules requirements might be and the minister - thank you for that - that sandbox trial is similar.

We have a good history of trials in this business. We just recently ran two. We ran our Bruny Island trial, which was very successful. We also ran our emPOWERing You Trial which was with regard to understanding advanced meters and how that might change customer behaviours with respect to how they use their electricity.

At the moment, we are running an engagement process where we are seeking expressions of interest about what people would like us to consider as part of the trial. This sharing and offsetting of electricity is but one component of that. We have been talking to the TFGA, dairy farmers, irrigators and Tasmanian Irrigation. We are going to get a few of those together in February of next year, to co-create and work out what we can do to identify solutions they would like trialled, or any

issues we want to incorporate into that trial. Our expectation is we would like to have that up and running by the middle of next year.

The challenge is going to be the rules process, which is a clunky process. It takes some years to implement a rule change, because it has to go to the Australian Energy Markets Commission and it will then seek input regarding the rule change -

CHAIR - From all of the ministers - I suspect our minister may be a champion for Tasmania in this?

Mr BARNETT - Absolutely. He has been and had success at the COAG Energy Council just a few Fridays ago on that, plus the other matter regarding pricing allocation. So we are going all right, kicking goals for Tassie and we will continue to do so.

Mr BALCOMBE - Notwithstanding that, it is a good opportunity to explore because it is something that can be taken more broadly as we are starting to look at more opportunities to distribute energy and whether there are peer-to-peer opportunities in their neighbourhood.

CHAIR - I know and I declare an interest here with our properties that have battery storage in grid.

Mr BALCOMBE - Thank you. It could be the forerunner of lots of opportunities, so in its formative stages and we are in the consultation process. Probably one of the challenges will be that there will be lots of things people would like us to consider as part of this trial, but we think you have alluded to key element of the matter.

CHAIR - Is funding for the trial a state Government commitment? Would there be funds from the budget or from TasNetworks?

Mr BALCOMBE - TasNetworks would fund this trial. We have a good history of sourcing ARENA funding, particularly with regard to renewables developments and things like that. It could trigger more on-farm renewables, so we would probably structure up a trial and put up a funding application and see if we can source some ARENA funding. Normally, that is about 50:50.

CHAIR - With the Bruny Island trial, was this partly funded through the Australian Renewable Energy Agency?

Mr BALCOMBE - It was.

CHAIR - It would be a similar sort of model to that. So we do not need to go to the government for funding?

Mr BARNETT - No. TasNetworks has been funding it through ARENA. That would be a good outcome. The university was also involved in the Bruny Island trial.

Dr NORTON - We have focus in our business on innovation, research and development and see it is a requirement for us to continue to look at how the network is going to evolve over the future and to be ready when that happens. We do put a small, modest amount of money into trials, as part of our innovation project, and this would fit in with that. As Lance indicated, if we are going

to do that, we will try to leverage any investment we make with other funds that might be available from ARENA or whoever else.

CHAIR - The plan is to get a trial up and going next year, though?

Dr NORTON - Yes.

CHAIR - How will you select the participants in that?

Mr BALCOMBE - We are currently consulting with a broad range of stakeholders. It will run those workshops and then there will be a selection process. It is actually going to be run out of Wayne's team.

CHAIR - Through an expression of interest?

Mr BALCOMBE - Yes, we are seeking expressions of interest.

CHAIR - Minister, will you be championing a change of regulations if the trial is successful and shows benefits in terms of renewal of investment?

Mr BARNETT - Yes, well, we already have a track record of supporting renewable energy on farms. In fact, we have more \$6 million in our budget to support on-farm -

CHAIR - This would require a regulatory change you would need to action?

Mr BARNETT - ... based and consistent with our track record of delivering for farmers low as possible electricity prices. That answer is yes.

We have a charter for working on farms and is really important. I launched that many months ago now, a charter for working on private land and to do with what is actually done by TasNetworks and on-farm, protecting biosecurity and supporting farmers. We have worked with the Tasmanian Farmers and Graziers Association on this. We have done a lot of consultation and feedback, and that was worked and launched many months ago.

CHAIR - We have a number of farmers interested and there was also a story on *ABC Landline* yesterday for the Meadowbank Farm, talking about the opportunities for them. If you have not heard that, you might like to have a listen.

Mr FINCH - You might remember earlier today, minister, we talked about Hydro Tasmania and their lack of reference to their employee cohort; only a scant touching upon their employees. Not so much their board; their board was very well covered.

In TasNetworks, there is more coverage, discussion and reference to the 1005 employees. My colleagues might want to comment and we did have evidence that - while you talk about your people scorecard, and I would like to know more about employee engagement - your target was 58 per cent but your result was 53 per cent. Does that mean that 47 per cent are not as engaged as you would like them to be? That is on page 22.

Minister, you referred earlier to the apprentices who have been taken on. It is very pleasing to see there is that consideration and that reference to the apprentices who might be developed and

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have a future in the industry with TasNetworks. I would like to know more about the section, Our People Scorecard, on page 22, how that figure is suggested and why only 53 per cent was reached in that target?

Mr BARNETT - Thanks for the question. I understand where you are coming from. The annual reports have some legislative requirements as to what is required to be in it - financial and auditors' reports and so on. It is a little more fleshed than perhaps others but I will let the Chair and the CEO respond to that. This is important to the Government in terms of culture and engagement with the staff and the community. You mentioned the apprenticeship program.

They did a survey in 2014 and, in terms of the improvement from 2014 to 2019, it certainly has improved in terms of it being a positive shift in the two constructive styles of achievement and gaining some outcomes on culture and engagement. The advice I have is there has been a shift; engagement for the businesses continued in an upward trend with an engagement for 62 per cent, up from 53 per cent since March last year. Lance might speak on culture and engagement.

Mr BALCOMBE - Certainly. Something we have been focused on since we established the business is culture and engagement. The life of a network business has changed. Network business used to be very predictable. There were not things such as solar, so your function was keeping the lights on. What we are seeing now is that customers are demanding more in response times to customers; we are seeing more requirements of social media and pushing information out to customers, and that means our business is also changing. One of the things we needed to understand was what the cultural capacity of our business to change. We employed a tool called the Organisational Culture Inventory and we have been measuring using that since the day we started. The minister referred to that; over time, we have some gradual improvement in that.

One of the things we have been trying to do is to build the constructive styles of our business about achievement, self-actualising and having a more affiliative culture because they are the sorts of cultures that foster a greater element of collaboration. They are focused on more positive outcomes for customers and, from a point of view of the way we do our work, our business is a very big value chain. There is a lot of hand-off. From a perspective of having a constructive culture, it is a great thing to have, but it is a journey to get there.

Our primary style in our business is avoidance. That is one where people avoid tough conversations, are resistant to change; they are saying yes to you but they are thinking, 'No, I don't like that idea'. One of the things we have been doing is running a lot of programs in our business to encourage leaders, particularly, who have a big influence on culture. Constructive leadership styles filter down through the business. Certainly, that is what we've found. We are very fortunate to work with a very constructive leadership team and those constructive styles are washing down to the next level of management, our level 3 managers, and we are starting to see that fostered down. That constructive engagement of constructive styles can also have an influence on engagement but there are lots of other things that can influence engagement as well. We took a pulse check on engagement around this time last year, and it fell to 39 per cent.

One of the important things is getting the score, but what is the data? You need the data and you need the comments and other things that are feeding into that. One of the things we found is that many people were struggling with the changes we had implemented as part of a new software system. We had a very good implementation, but a lot of our workers are at the longer end of their career, like me, were challenged by some of the technology.

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We got some very good data about how we could improve that. That pulse check was quite low but it triggered a pretty positive response in the business to where we saw that score jump up to 53 and then jump up to 63, as the minister has just mentioned.

The point is, is the balance of those employees disengaged? Generally, not. Some clearly are but some are sitting on the fence and saying, 'Well, I am not sure where I am'. Our commitment is to continue to work with our people because we see a very strong link between positive engagement and very good business and mental health outcomes and things like that. We will continue to work on that. The data you get with these scores is as important as the score itself.

Mr FINCH - One of the things I appreciated was the fact that in your young cohort, 18 to 24 years, you have 50 per cent representation of female to male, and that will have a good influence on the future of TasNetworks.

We did not have a very good scorecard for you being an employer of choice. We did get a sense that industrial relations are bad. It is not a good place to work, low morale -

Mr BALCOMBE - Have you got some data on that?

Mr FINCH - We had that feedback coming back to us.

CHAIR - Not data; it was anecdotal.

Mr FINCH - Anecdotally, yes.

Mr BALCOMBE - With regard to being an employer of choice, TasNetworks has qualified as an employer of choice. We achieved that qualification in December 2017.

Mr VALENTINE - Through who?

Mr BALCOMBE - The agency that does it. There is a set of criteria you need to achieve in order to qualify as an employer of choice. We have that accreditation.

Mr FINCH - From what you have said and from the people's scorecard, do you have a sense that you still have a fair way to go?

Mr BALCOMBE - There is always opportunity. Building engagement and building culturally in a business is a journey. The other element we have is that we are in a very dynamic industry that is changing and we need to equip our people to cope and compensate to those changes over time. Building those constructive styles and continuing to work on employee engagement are paramount.

Mr FINCH - So people can be assured that is going to be front of mind for TasNetworks?

Mr BALCOMBE - It is a key tenet of our business.

Ms WEBB - To follow up on a couple of those things, I appreciate you have given the gender breakdowns of your workforce across age brackets. What I do not see there is the breakdown of your workforce across those age brackets. You mentioned some of your workforce are in an older age bracket. Given that you have ramped up your apprentice intake to 11, I take it that it has been

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fewer than that in recent years. What is the trajectory for your workforce in terms of ageing out and the replacement plans in place around that?

Mr BALCOMBE - Certainly, we have two very good programs going right now. We have our apprenticeship program. We have had an intake in the middle of this year, an intake last year and we will have another intake early next year, so we should be up close to 50 by the time we have all those, given we already had some existing -

CHAIR - Fifty apprentices?

Mr BALCOMBE - Fifty apprentices.

CHAIR - Gender breakdown. Are you looking for half-and-half, or what are you looking for?

Mr BALCOMBE - We have a gender mix in among that and that's something we certainly target.

Ms WEBB - Can I just pick up on that? Fifty is about 5 per cent of your workforce by the look of it, then. In terms of the percentage of workforce that would be relevant to apprenticeships being undertaken, what does that 50 represent?

Mr BALCOMBE - It's probably about half that. It's about 10 per cent of the workforce.

Ms WEBB - It's about a 10 per cent cohort in your apprenticeship phase for that part of your workforce. Is that deemed to be a sustainable trajectory, given the age profile of that cohort?

Mr BALCOMBE - I'll perhaps talk about a few other initiatives we have too. With regard to that workforce itself, we're certainly looking at it from a perspective of the capacity of that workforce. We realise we have a challenge where our workforce is getting older so from a perspective of managing those employees there is - they may transition to retirement is one thing but certainly ensuring they have the appropriate skills coming through.

We are regularly going to market and recruiting where we see opportunities as well as, because we are also seen as a pretty attractive employer. I've met some new employees who've come from Queensland and South Australia and Victoria, linesmen and electrical people. They like Tasmania is the other thing about that, so that does assist us.

From a point of view of understanding what our future workforce requirements are, we're doing a program of work about understanding what our skills mix needs to be and that's not only at the trades level area it's also in our office skills and things like that. The other program we are running is our graduate program and we take about a dozen graduates per annum that's across a set of disciplines - engineering, finance, IT, HR, legal.

I'm very pleased to say that program has been recognised nationally. In the last couple of years, we've been recognised as in the top-ranking graduate programs across the country because we run it as a program. We rotate our graduates through various facets of the business so they get a good industry understanding. We're looking at the throughput and the skills mix, and ensuring that we have new people coming in, our future leaders of the business coming in and well qualified tradespeople coming in. We are conscious of the other end of that spectrum and we continue to build on ensuring that we have the right level of capabilities and skills right through the workforce.

Dr NORTON - Referring to Mr Finch's comment, I said in my opening comments that our people are our key resource so knowing how they feel, getting an understanding of where there are problems and in dealing with it is important.

Last year we had some feedback in relation to a number of things that was disappointing. As Lance says, this is a continuous journey. If I take the question, 'I would recommend TasNetworks as a great place to work', in our March survey this year we had 59 per cent who said TasNetworks is a great place to work. In the recent survey in September we had 71 per cent, so we are seeing some evidence of improved engagement and improved attitudes, and I think that reflects the work that's been done by Lance and his management team to try to deal with some of the issues that were concerning people.

Ms LOVELL - Apologies if I missed this, just going back to the apprenticeship program. Within that program or within your KPIs for the business, do you have a target around apprenticeships per year that you intend to take on, given what we've said about the demographic of the workforce?

Mr BALCOMBE - I think it's about eight to 10. There's a couple of issues around that. Because we are regionally based, we have to ensure a balance between the north, the north-west and the south. We took a higher number in the north-west because of the opportunities that were required up there. I suggest it would probably be in that eight to 10 per annum.

Ms LOVELL - As new appointments? You mentioned in the annual report that you have had 11 new appointments during the last financial year. I have two questions on that. It says you have ramped up your apprentice intake. What was the intake in the previous financial year if it has ramped up to 11?

Mr BALCOMBE - Pardon me, I don't know, but it certainly has been ramped up. I do know part of the apprentice strategy we had was upskilling existing employees. One of the things we did is that if we had an electrician, we would what we call dual-trade them. We would give them a linesman's qualification or give a linesman an electrician's qualification because if they get upskilled, they have greater utility.

Ms LOVELL - That was going to be my second question: how many of your existing workforce would be in the process of undertaking an apprenticeship, in addition to those 11 new ones?

Mr BALCOMBE - I don't have those figures to hand, but I am happy to take them on notice.

Ms LOVELL - Maybe further to that, with the apprentice program and the targets you are setting around 10 to 12, is that specifically for new apprentices or would you include an existing employee undertaking an adult apprenticeship in that target?

Mr BALCOMBE - It could. We actually have quite a few adult apprentices. I'll give you a case in point. When the new power of choice rules came in at the end of 2017, we no longer had a business that operated [inaudible] meters because that became a contestable service that went to Aurora, so one of the things we did was retrain and reskill a lot of the people working in the service connections area as linesmen and gave them other trades so that we retained that knowledge in the business.

Mr VALENTINE - I have a number of areas that I would like to go to. You touched on the new business 42-24 earlier, and you also mentioned Large-scale Renewables Limited. Can you explain a bit further why this business was created, what its intended growth is, its breadth or customer base, whether it's going to be serving customers interstate as well as within this state, and how you are positioning it in the market?

Mr BALCOMBE - Perhaps I should premise, first of all, that our letter of expectation says we only operate in Tasmania. We do have a slight dispensation for that in regards our activities for Marinus in Victoria, but other than that we are restricted to operating in Tasmania. We have two companies: 42-24 and then the Large-scale Renewables. We see a significant opportunity in Large-scale Renewables because it's on the back of potential renewable activity that is going to occur in Tasmania. From a point of view of building transmission connections, we see some opportunity there; we have a 2025 target of around \$300 million of capital invested in that business and throwing out a good rate of return against that.

Mr VALENTINE - Is it going to be fully reported in years to come so it's transparent?

Mr BALCOMBE Absolutely, it's a subsidiary company so it will be separately reported.

Mr VALENTINE - You are not selling it off or anything like that?

Mr BALCOMBE - We have no intention to; it's a nice earner.

With respect to 42-24, we initially set that up to maintain the revenue it has because it's made up of lots of streams of fairly low-level revenue. Our initial ambition is to get the brand set up and established and then retain that revenue. Once it's better established and has a market presence, we'll look for opportunities to grow that. As I indicated previously, it may well be that to grow it we may need to move into the energy services area, which will then trigger some additional ring-fencing obligations. They could actually trigger additional costs so we need to understand - I know Ross Burridge has some jurisdiction over that, so you may wish to comment as well in regard to that.

Mr BURRIDGE - As Lance said, the business has been going for 12 months now. 42-24 actually stands for 42 degrees south, 24 hours a day, just in case you were wondering. We are working our way through what options there are to grow it. It's heavily dependent on telecommunications revenue and data sales revenue. To diversify the risk in that business, other income streams would be good to find. We haven't landed anything yet. We have a few ideas in the area of things we may do, but, yes, it is based in Tasmania.

Mr VALENTINE - Is it using microwave technology? I think I heard you say something about microwave technology. Is it using the current poles and wires as well?

Mr BURRIDGE - The telecommunications business in TasNetworks sits within the business itself. We are now a technology performance business and 42-24 buys the service from the regulator business and sells it to customers so it's just a reseller, really, at this point in time. That just takes the margin on top of that.

Mr VALENTINE - It's not the first time it's been done, is it? Years ago they commenced something over the network in terms of digital services; is that totally different?

Mr BURRIDGE - That was internal [inaudible] power lines which I think Aurora trialled and couldn't take us further. 42-24 has been formed because of changes in regulation and ring-fencing of distribution services. It is something we will be required to do and all businesses around Australia like us have done that.

Another thing is, we are participating in a transmission ring-fencing guideline coming our way as well, which will then mean the lend itself to why we have created Large-scale Renewables.

Mr VALENTINE - Minister, last time we were across the table from each other we talked about electric vehicles and we talked about the issue of loads that might put on the system. Has anything further been done with regard to any homework on those sorts of loads that might be expected and how you are going to cope with that as the market ramps up? How is the network going to cope? Not the minister - he might get an electric car.

Mr BARNETT - I think the last time we were talking, I had just driven down in one of my colleague's or friend's electric vehicles, down and back. I have done that a few times now, which was a pleasant experience.

I am not the minister for the Environment so I'm not responsible for the rollout of electric vehicles but I am very supportive of the work being undertaken on that. We do have incentives in place for electric cars and the recharging of those electric cars. As for the network reliability, which I think is part of your question about that, I think it is best that Lance -

Mr VALENTINE - It is about capacity to deal with that heavy surge at the end of the day when people get home and plug their car in.

Mr BARNETT - That's right and we are heading that way so of course this is important. It is a good question. It is certainly visionary - it is down the track - it is not happening right now in terms of the impact, but I will pass to Lance to talk about network reliability.

Mr BALCOMBE - I might make a few comments and then perhaps throw to Wayne from a technical perspective. We have had an electric vehicle strategy but we are in the process of refreshing that.

Part of that is we have had some engagement with other businesses that have been installing fast chargers across the country. One of the things to consider is that electric vehicles can be considered a disruptor, from a point of view of new technology, from fuel sales and things like that.

What's also been disrupted is how cars are being utilised, so in the larger cities what we are starting to see is pooling of vehicles. It is a bit like the pushbikes you see parked around.

CHAIR - GoGet vehicles in Melbourne. They are everywhere.

Mr BALCOMBE - Yes, that's right. Basically you can grab a vehicle.

Mr VALENTINE - You don't have to own a vehicle, you just get into a group.

Mr BALCOMBE - That's right. Often that means that the charging patterns change. They are actually charging more and more during the day as opposed to domestic units that are plugging

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in overnight. One of the things we are starting to think about is getting some more data about understanding how usage patterns of vehicles are going to change.

Certainly, from a perspective of: if every car was going to plug in when they got home, it would be a challenge but there are also some technology opportunities in that, particularly with the advent of smart metering, remote devices, making sure that you can have some control mechanisms. You might plug the car in but it mightn't start charging until 2 a.m. in the morning.

There are all sorts of opportunities about how you might manage that. Certainly, it's an adverse outcome if we have to upgrade the network in order to deal with the demand that may result from increased electric vehicle usage.

The other thing to think about is whether there are going to specific tariffs as regards electric vehicles, which again would incentivise electric vehicle owners to perhaps get an advantageous tariff through off-peak times.

I might ask Wayne to talk more about what we are doing with regard to the strategy.

Mr TUCKER - Certainly, if there were a large penetration of electric vehicles and it was uncontrolled, it would have a significant impact on the network, particularly the low voltage network and to some extent the high voltage distribution network. This would require us to spend quite a few dollars augmenting the network. This is if we did nothing.

Our strategy is really around understanding what it would mean and how we might be able to provide incentives or encouragement or facilitate the different times of use, tariff structures or different charging arrangements, whether for electric vehicles or batteries behind the meter or other forms of technology, including solar. It is really complex and complicated to understand how it all might interact. There is certainly a primary of our focus with electric vehicles being one of the key components of the strategy.

Mr BARNETT - As a government, we have an electric vehicle working group. TasNetworks is on that working group to ensure that reliability remains a priority.

Mr VALENTINE - The Australian Electric Vehicle Association is also part of it. I understand that. It could change -let us say, it could change within four years. An influx of electric vehicles, their range increases so therefore in more regional areas, vehicles are being taken home and plugged in. Yes, there might be smart metering, but I am interested to know whether you are ahead of the game in terms of preparing for this.

Mr BARNETT - Thank you for the question. It is a really good question. Tasmania has been recognised at a national level with this electric vehicle working group. This is a nation-leading effort, of which TasNetworks is part. I can let you know the inaugural Kennedy Award for 2019, so just this year, the Prime Minister's Award for excellence in public sector management, the inaugural Kennedy Award -

Mr VALENTINE - Kennedy? Who was Kennedy?

Mr BARNETT - I am just saying this particular working group has been seen as innovative, upfront, having a go and has been recognised nationally through that Prime Minister's award.

Mr VALENTINE - The other area was with respect to solar. As TasNetworks is responsible for network security and you negotiate the size of the solar system, one might want to put in that do not constrain the energy that system produces. Have you encountered any installations where you have found the need to ask the customer to scale back this intended development because of the problems and issues?

Mr BARNETT - I will pass to the CEO. I was pleased to be able to announce the largest solar panel installation at SRT Logistics in Launceston more than 12 months ago. Lance, we were there together. Had a bit of a tour.

Mr BALCOMBE - No, I was not there, minister.

Mr BARNETT - You were not there. Well, TasNetworks was represented and SRT also has a facility in Devonport. It was a really substantial input and congratulations to SRT on that effort. I will pass to the CEO.

Mr BALCOMBE - I might ask Wayne to come in on that one.

Mr TUCKER - I am not sure of the exact numbers of those that have been constrained, but we work with the large solar installations on a one-to-one basis with customers to optimise and ensure that whatever is installed can in fact be utilised.

Mr VALENTINE - You do not have figures on knock-backs or adjustments?

Mr TUCKER - No, at hand, no.

CHAIR - Minister, I just wanted to go to two areas. One, and this was touched on, your employee numbers. There are just over 1000 employees and it was mentioned you might have 50:50 gender mix in the very young age group. Thankfully, we have Bess at the table. Better than Hydro. Anyway, we have a couple of men at the back, which is always good. The board is 50:50, that is good, but how are we going across the ranks? This tells the age profile; it does not tell the levels. When we talk about the very real gender pay gap, this is a male-dominated area obviously, so how are we going with getting some gender equality and addressing the gender pay gap?

Mr BALCOMBE - Thank you for the question. Until early last year our leadership team was 50:50, then we did a refresh and one female member left. I think we have 40 per cent female at the leadership level; we do have some statistics, I am unsure whether they are in the annual report, but gender mix is something that we are focused on.

We are dealing with a largely blue-collar workforce that we inherited, which has inherently been male-dominated. We don't have many female fieldworkers, albeit we took on a couple of female electricians during the latest apprentice intake. From a point of view of office-based staff, the board is working on this and the Chairman could comment on diversity across the board.

Mr BURRIDGE - My team of at least 70 people is at about 50:50 and probably errs a bit more to the female side.

CHAIR - In terms of the gender pay gap and seniority -

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Mr BALCOMBE - I can talk about the gender pay gap. We have done some work as regards gender pay gap, and it is about 2 per cent on average. We need to, from the point of view of females being paid less than males - in some parts of the business the gender pay gap is the other way. In Ross' part of the business, because he has more higher ranking females, the gap is the other way around.

One of the things we need to understand is to pick into that data a bit more as regards the gender pay gap, but we have many level 3 leaders who are females. We are looking to encourage an appropriate gender mix in the uptake of our graduate program. It is certainly something we are focused on.

CHAIR - I acknowledge that it has been a male-dominated area and will continue to be for some time, particularly in the fieldwork.

I also want to look at the safety and wellbeing component. You have had a pretty bad year. When we look at some of the reportable incidents, they must have been horrifying for the Chair and the CEO, and I assume the minister was informed of those. Do you want to talk about what you are doing to address this because this part of your report is pretty damning?

Ms WEBB - Way over target.

CHAIR - Way over target. If your target is fewer than eight significant incidents, I imagine you would want zero, ideally.

Mr BARNETT - Zero harm is absolutely the goal -

CHAIR - I acknowledge this is a highly dangerous work environment at times, too.

Mr BARNETT - Yes, and minimising the impact on the environment is also a goal. Zero-harm performance measures are important, they are ambitious targets but that is what we are aiming for. I will ask the Chair to add to that.

Dr NORTON - I will make an introductory comment and hand over to Lance. Certainly, in that financial year, we weren't happy with our performance in the previous year. There was an incident that occurred in about October 2018. Lance basically stopped the workforce from doing anything. They had a shutdown, and said, 'Look, we have to reinvigorate our efforts'. It wasn't that the organisation hadn't been putting in an effort but the effort we were putting in wasn't as effective as it needed to be.

Lance can talk about what we have done since then. I can assure you that, certainly from the board and management's perspective, we are now seeing a much better level of safety performance than we were previously so we are seeing a reward for the additional efforts that have been put in. It is an area you can never sit back and be comfortable with. It is not only because we deal with electricity, we also have a lot of people on the road, driving and so on. In a multifaceted business with a thousand employees; it is a prime focus of attention.

The first thing the board deals with on its agenda at every meeting, after we get rid of the minutes and that sort of thing, is a safety report. At the board level, we get information on all of the significant incidents. Some of them need to be further researched and we get the research results as well. I can report that we are seeing some significant progress, but Lance can -

Mr BARNETT - Before Lance does, I strongly support that. I get monthly reports from the board; I have meetings with the board and the CEO. Safety is always on that agenda so I thought I would let you know that it is a priority.

Mr BALCOMBE - Thank you, minister. You are dead right. One of the challenges is how you set targets. We had a lost-time injury frequency target of zero last year and we achieved 5.2. The challenge about target-setting is aspiration versus what is achievable. To get to zero, means you need for a 12-month period to have not one lost-time injury, which is challenging, but notwithstanding that -

CHAIR - It has to be your aim.

Mr BALCOMBE - It has to be your aim. I suppose perhaps this year we have adopted a slightly more realistic target in setting a glidepath about how we get to zero as opposed to just let's get to zero.

Importantly, one of the things is that after we had that intervention in October last year, we wanted to understand what the culture of the workforce was and its attitude to safety. We had Ernst & Young - EY - come in and talk to our people, and in talking to our people also talk to them about what creates poor safety behaviours. Habits do. It's a bit like people who get used to using their mobile phone while driving in a car; they get away with it so they keep doing it. That's what happens when you take risks where you work -, 'I got away with it last time' and then it becomes habit-forming.

One of the things we need to do is to understand what motivates people's behaviours as regards to safety. We had Ernst & Young in, and we understood our safety culture and our safety culture was at a score between non-existent and exemplary. We were at the developing stage so that's the second lowest stage and to go between stages takes about two years.

In line with that, we had a lot of feedback about what we could do to improve safety so there were cultural and system aspects. Alongside that, we've also refreshed our entire safety team. We had people who were running safety who weren't safety specialists so we've now onboarded safety specialists and with the findings of the EY work, we now have a safety plan and a page. We report to the board on that every month and that probably has about 20 actions on it. They're all progressing very well.

We have seen an improvement in safety. We've not had a significant incident since March this year. I always touch wood when I say that. A significant incident is one where you have the potential to significantly injure or to kill a person, and the other one -

CHAIR - Or environmental consequence, isn't it?

Mr BALCOMBE - Yes, that's right and the other element about that is also that significant incidents also count for members of the public, so that can also include members of public.

With regard to the members of the public we are upping our education campaigns dealing with electricity safely, dealing with electrical contractors. We had a very significant incident where a roofing contractor took a short cut and managed to electrify the roof while they were doing it so that counts. The more we do to get out across the trade bodies, the better, particularly when

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encouraging them to keep away from electricity as much as anything, but also to get them to understand when they need to get in contact with us how we can help them do their work.

CHAIR - These figures include just your staff and workforce or is it the contractors as well?

Mr BALCOMBE - They include the public. They include what we call our level 1 contractors so any contractors of scale, yes.

Mr BARNETT - Chair, I think Lance has an answer to a question from Ms Lovell.

Mr BALCOMBE - Have I? It's a live feed, so thank you. We took on four in 2017; six in 2018 and they are all existing employees; 15 in 2019; 10 in 2020, and the existing workforce undertaking a second trade is nine.

Mr BARNETT - Chair, I can also advise Mike Gaffney asked a question of Bess Clark and we have an answer to that question.

CHAIR - Mike was going to reiterate the question.

Mr GAFFNEY - Thank you. The question is: the transition upgrades community engagement is now beginning. When will TasNetworks consider that process to be complete? Will TasNetworks present an open forum again? There are some community questions at the first Ulverstone forum that people believe were not answered.

One of the concerns they seemed to have, and it needs to be cleared up, is that UPC may have given some guidelines, guidance or constraints to TasNetworks and Coffey, and whether those guidelines may limit TasNetworks looking at appropriate options. For example, they might say, 'You have to this done because there is \$60 million and you have to find a line between [inaudible] that comes in under budget.'

Those are some of the questions they need to answer -

- are there future forums planned, and
- can those sort of questions be cleared up?

Ms CLARK - As I indicated, our community engagement is only now beginning. We held that first forum after the first public release of the route. We did get lots of feedback from the community; they are hungry for more information. We understand and have taken on board their questions. We have quite a comprehensive list of questions and follow-ups.

The forums this weekend will be informed by that feedback. We have also undertaken to go back to those who participated in the first workshop to give them a level of detail we are able to give them.

The point is that this is only a start. We need to lodge referrals to approval agencies and they will tell us what we need to do to be able to get approvals, what we need to look at. So all through the process of preparing our documentation, we will continue to engage with the community and through the approvals process itself, as a whole engagement process conducted by the approving entities.

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The community engagement process is really only starting and we absolutely will take on board the feedback we get from those forums and consider it in our work.

Mr GAFFNEY - As a supplementary, when UPC said they will be the major sponsor, for want of a better word, do they then say 'This is our expectations', or do they put some limitations or guidance?

Ms CLARK - Wayne's team in particular has put out that annual planning report as identified, looking at how we have a north-west strategic transmission plan. In that, we are proposing a corridor that will not only serve UPC, but also other developments in the region.

We are certainly working with UPC as a customer. We understand what it is they are proposing to connect and those sorts of things; however, we are considering this as a project that will serve, not only UPC but other customers as well, as part of that strategic plan for the region.

Mr GAFFNEY - That is good and will be really helpful for the follow-up forums with the community to actually go through that process again. Thank you for that.

Mr BARNETT - In addition, I agree exactly with that response. As a government minister, I have talked to TasNetworks about the importance of community engagement being a top priority and Bess Clark has responded to that.

Likewise, I have also communicated with wind farm components and advise as far as the government is concerned, that is also a priority in terms of community engagement.

Mr FINCH - TasNetworks is currently investigating a possible legacy herbicide exposure attributable to former Hydro Electric Commission employees spraying vegetation under transmission lines, dating back to the 1960s and 1970s.

Investigations are in a discovery phase and no liability is shown in these financial statements we have had this year.

My question is: are any herbicides used these days in controlling vegetation under transmission lines?

Mr BARNETT - Thank you for the question. I will pass to the CEO to respond. TasNetworks is and tries to be a very good corporate citizen; it has been proactive in terms of investigating that historical exposure to herbicides, as part of those work practices in the 1960s and 1970s, including working with former employees

I would appreciate if the CEO could at least put that on the record to make sure it is clear TasNetworks is really reaching out and doing everything it can in that regard, including undertaking health screening. The results will become available in the not too distant future. Once those results are known, my advice is TasNetworks will continue to support any impacted current or former employees as required. Perhaps Lance could deal with that and the second part of your question.

Mr BALCOMBE - This is a legacy issue but it is certainly something that TasNetworks owns. We want to ensure we run this process thoroughly. We have been very careful with it and part of

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that is, as the minister indicated, that we have cast the net far and wide to ensure that anyone who may be impacted by this issue has been contacted and encouraged to participate in the process.

We are working through it. Quite a few of those people who have contacted us have met with Dr Drew, who is the toxicologist who has explained the potential impacts of exposure to these herbicides. Forty of those people have been referred to an independent healthcare company called Sonic for medicals, and 16 have elected to see their own GP. Three people have opted out. It is something we report to the board on regularly and it is a process we are going to be very careful with.

With regard to your former question, we are certainly not using these herbicides. We do use spraying but, where we do, we would certainly be using something that is non-toxic. We would be taking much more precaution with regard to appropriate protective clothing and PPE where we do use that.

Mr FINCH - What was the herbicide that caused the problems?

Mr BALCOMBE - It was 245T (2,4,5-Trichlorophenoxyacetic acid).

Mr BURRIDGE - We don't hold that herbicide on any of our sites.

Mr VALENTINE - Do you have any outage figures? I can't see it in your annual report but it might be there. Do you have any figures on outages that you could put down to equipment failure as opposed to acts of god? Poor god, he or she always gets blamed.

Mr BALCOMBE - It is a good question. I might also ask Wayne to help me out with this one. One of the challenges with outages is there is often no cause. We can't find the symptom because the line trips, we go and inspect it and there is no damage. It could be vegetation, bark or something like that causing it. Wayne is probably better qualified than I to speak to this.

Mr TUCKER - Certainly on our distribution network, the key causes of outages are vegetation outside the clearance zone. We have a large proportion of outages due to windborne debris, trees or limbs. We were looking at some information this morning from the performance of the feeders around the west coast. What we see is there are quite a few connection issues such as service fuses blown or issues with services, which is another predominant cause. Then, somewhat more varied are equipment failures like insulator failures or conductor failures and such, but they are relatively low in proportion compared to vegetation issues and some of the connection issues we have.

Mr VALENTINE - In overall terms, the health of the network is pretty good. Is that fair? Between one and 10, where would you put it?

Mr BALCOMBE - We would never put it as a 10 because you would be paying far too much money to maintain it at a 10. We have to maintain this balance between cost, reliability and the clear feedback we have from customers - we want the reliability maintained at the current levels and 'Get more efficient, get your costs down'; that is our focus.

Dr NORTON - Yes, with one embellishment on that. It also depends where in the state we are, especially with our distribution infrastructure. If you are in the middle of Hobart, you are going to have a much better set of distribution assets, but if you are on a long stringy distribution line out in the bush, you are probably going to have more issues. It does vary in terms of location.

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CHAIR - Thank you, minister. We will leave it at that. It has been a long day for all. Thank you to your TasNetwork team. We appreciate their time and there are a couple of things we will send through for your response.

The Committee adjourned at 5.05 p.m.