

Division 20: Energy Policy WA, \$18 317 000 —

Ms M.M. Quirk, Chair.

Mr W.J. Johnston, Minister for Energy.

Ms K. Ryan, Coordinator of Energy.

Mr N. Ryan, Acting Assistant Coordinator, Market Development and Coordination.

Mr R. Gracias, Chief Financial Officer.

Mr R. Sao, Chief of Staff, Minister for Energy.

Mrs A. Keogh, Principal Policy Adviser.

Miss Y. Lucas, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by close of business Friday, 1 October 2021. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Moore.

Mr R.S. LOVE: I refer to the details of controlled grants and subsidies table on page 284 of budget paper No 2 and to the second line item "Consumer Advocacy Grants", which kicked off this year. What do those grants involve and who will be able to receive them?

Mr W.J. JOHNSTON: That is a great question; I am really pleased the member asked it. When I became Minister for Energy at the end of 2018, the government realised that there was inadequate representation for consumers in Western Australia. It is fair to say the Economic Regulation Authority runs its own consultation process, but that Western Australia is not well served on policy development. An organisation on the east coast called Energy Consumers Australia performs that function, but it does not have a presence in Western Australia. When we reached out to organisations like the Western Australian Council of Social Service and others, we found that WACOSS has a relationship with Curtin University's John Curtin Institute of Public Policy. They were doing some embryonic work in this space, but it is pretty clear there is no developed capacity in the non-government organisation space on energy policy. Therefore, we developed a three-pronged way to assist them. Firstly, we have an energy consumer advocate inside Energy Policy WA. They are a public servant but their duty is to look at consumer-facing questions. Secondly, we formed a forum to bring together people from the sector to discuss energy policy issues because we really wanted to engage with them. To do that, we have to lift their understanding of the complexity of energy policy. Perhaps the member for Cottesloe could attend one of those meetings and he can be helped as well. The third element is the grants program, which was designed to allow the NGO sector to do research projects in this space. Although I have worked with Energy Policy WA on the criteria, obviously it is done at arm's length and the agency makes the decisions, not me. I will happily get Kate Ryan to explain some of the proposed grants and what we are trying to achieve there.

Ms K. Ryan: I do not have all the details on me, but, essentially, the grants program is designed to be relatively small grants to energy consumer advocacy organisations, research organisations and the like so they can do research, and to help us develop evidence-based solutions to challenges facing energy consumers, particularly small energy consumers such as households and small businesses. There are elements of research, developing initiatives to support customers, and also education and information to help build the capacity and capability of the sector. We have had two rounds of grant funding to date and have allocated grants to three different organisations. There are further rounds to come over the coming years as the government continues to fund this program for another three years.

Dr D.J. HONEY: I refer to the service summary on page 282 of budget paper No 2, volume 1, and the line item “Development and Implementation of Energy Policy”. Can the minister confirm that the 20-year whole-of-system plan released last year produced four scenarios, none of which track close to net zero emissions by 2040?

Mr W.J. JOHNSTON: I am very happy to talk about the whole-of-system plan. The whole-of-system plan is not an emissions-driven modelling process; it is designed to provide a range of scenarios to see whether investments in the transmission system meet the needs of the system. None of these scenarios is either a prediction of the future or an expectation of the future. That is the whole point of those scenarios. Two of the scenarios show massive growth in demand for electricity. Nobody thinks that that is going to occur, but it is good to know that if there is significant growth in demand in the south west interconnected system, we will know how to accommodate that. It also modelled, without a carbon objective, what will happen with carbon through this process. For the first time ever we have a baseline to work from. That has never been available to us before. We can now do further rounds of modelling because a model has been built. Think about what they did: they built a model that worked on a half-hour basis for 20 years. Think about that. They ran a model that gives an answer for 30 minutes at a time over a 20-year period. That is an extraordinary achievement and it cost a million dollars. It was done by Ernst & Young Australia. For the first time ever, we have a detailed model of the SWIS on which we now run scenarios to see outcomes. The member knows we have already announced that we are bringing forward the next round of WOSP modelling with carbon objectives built into it. The good news is that all scenarios have been done. Remember, the south west interconnected system produces less carbon emissions than the national electricity market for each unit of electricity. The national electricity market uses, in round figures, about 60 per cent coal; we use 40 per cent coal. We have more renewables than they do on the east coast.

Our starting point is better than that of the east coast. All four scenarios show that even without policy intervention, we can reduce carbon emissions by up to 70 per cent for the south west interconnected system. The government can then make policy decisions, if it is minded to, to get any outcome that it wants for its carbon objective. One of the things that we can do, because we have a capacity market, is apply the capacity market to support the outcomes that we want in the south west interconnected system. We can make sure that the decisions that we make support the outcomes that we are trying to achieve.

[4.50 pm]

Dr D.J. HONEY: Looking at the report from this agency and the scope of the whole-of-system plan modelling, if we look at “Box 1: Modelling exclusions”, we can see that it excludes future government policy. The report states —

Existing government policy has been included. As there is no explicit climate or emissions reduction policy targeting the electricity sector, no State or Federal target or carbon price has been included in the modelling.

Mr W.J. JOHNSTON: That is correct because that was true at the time.

Dr D.J. HONEY: Given that the minister has lectured us in this chamber on a number of occasions about the reality of climate change and the fact that we have to move to a zero carbon economy, surely it would be a key part of this agency’s function to show how we can provide energy in this state with zero carbon emissions. Furthermore, it seems as though the Premier is skirting around the issue but is heading towards zero net carbon emissions by 2050. How can we develop a whole-of-system plan if the government will not include a clear target for a reduction in carbon emissions?

The CHAIR: The member referred to a box.

Mr W.J. JOHNSTON: I am happy to answer the question.

The CHAIR: Which page are we on?

Mr W.J. JOHNSTON: That is the box in the whole-of-system plan, not in the budget papers.

The CHAIR: Where are we in the budget papers?

Dr D.J. HONEY: We are exactly where we were before, which is on page 282 and the line item “Development and Implementation of Energy Policy”.

The CHAIR: I will give the call to the minister. That caused some confusion. If the minister wants to answer the question, he can.

Mr W.J. JOHNSTON: The member is right. At the time the first whole-of-system plan was done, the commonwealth government had provided no leadership on carbon. It is exactly what the member pointed out in that box. What that box says is the reality of that situation. If the member remembers, before I became the Minister for Energy, the federal Minister for Resources, Energy and Northern Australia was Hon Josh Frydenberg, the now Treasurer. He proposed the energy guarantee. Does the member remember what that was? Effectively, it was a carbon target. Unfortunately, the carbon target got rolled. What the government of Western Australia was keen to do with that carbon target was to make sure that the carbon target acknowledged the good work that had been done in Western Australia already.

The member made an assumption that is not based on evidence—that we are not planning for a low-carbon future. The first point I make is that the whole-of-system plan shows that without any government intervention, we can have a 70 per cent reduction in carbon emissions in the south west interconnected system. That is before we make government interventions. I will tell you what: the one thing that we will not do is build an energy source 2 000 kilometres north of Perth and say that 40 per cent of all the electricity in Western Australia from the south west interconnected system will come from outside the interconnected system, because that would create a contingency on the system that is five times larger than the current largest contingency, which is Collie. As the member knows, because I am sure he has spoken to the Australian Energy Market Operator, which would tell him this, AEMO works on N minus 2—that is, the total volume of electricity being produced at any moment less the two largest units on the system. If the largest unit is the wire leading to the north, that becomes the largest contingency. At the moment, our largest contingency is 300 megawatts for Collie, so the spinning reserve for Collie is 300 megawatts, but building 2 000 kilometres to the north with a single electric wire would mean that the single-largest contingency would become 1 500 megawatts and we would need a spinning reserve to support not 300 megawatts, but 1 500 megawatts. That is why the Australian Energy Market Operator says that if we were to implement a plan for a single-source energy source 2 000 kilometres north of Perth, we would need to build three separate transmission connections, and that would push up the cost by several billion dollars. That is why no-one with a brain thinks that building a renewable energy project 2 000 kilometres north of Perth is a plan for the future.

The whole-of-system plan shows that the cheapest future energy generation is to build renewable energy around Collie in the south where the transmission infrastructure already exists. It is not just about the cost of the generation; it is about the cost of the transmission and the generation together. Because the cost of transmission from the south is less than building 2 000 kilometres to the north, and the contingency reserve is lower because we can have a spread of facilities and not be reliant on a single transmission line, that is a much more sensible and lower cost option. That is what the whole-of-system plan shows and that is why no-one in the electricity industry thinks it is a sensible idea to build a single contingency 2 000 kilometres north of Perth.

[Ms M.M. Quirk took the chair.]

Dr D.J. HONEY: That is not the question that I asked. That was cheap and misleading pointscoreing. The question was whether the minister thought it was prudent for the agency to include a goal of zero net emissions in its whole-of-system plan. That was the question, not some cheap pointscoreing —

Mr W.J. JOHNSTON: No, that was not the question the member asked me.

Dr D.J. HONEY: That was the question.

Mr W.J. JOHNSTON: I am sorry, but the member is obviously confused because that was not the question he asked me.

Dr D.J. HONEY: It was the question.

Mr W.J. JOHNSTON: He asked whether the whole-of-system plan was a sensible way forward.

Dr D.J. HONEY: No, I did not. I asked —

Mr W.J. JOHNSTON: As I keep saying to the member —

The CHAIR: Members! The minister.

Mr W.J. JOHNSTON: Thank you. As I keep telling the member, the whole-of-system plan is an effective tool for the purpose for which it was designed. It is not designed to solve every problem. Of course we understand the need to move to a zero-carbon future. Of course, the whole-of-system plan does not plan out to 2050; it plans to 2040. That plan shows that we can have a 70 per cent reduction in carbon emissions before government intervention. Imagine what can be done after government intervention. Clearly, the plan shows that we do not want to do silly things like build a renewable energy project with one wire to the metropolitan area that is 2 000 kilometres north of Perth. That is why the whole-of-system plan does not recommend that reckless and silly suggestion.

Dr D.J. HONEY: That is not the question I asked. The minister is wasting time.

Mr R.S. LOVE: My question relates to the details of controlled grants and subsidies on page 284. The last line item is “State Underground Power Program”, which has some funding in this budget but nothing in the forward estimates. Is this program being wound up or moved to a different place to pay for it?

Mr W.J. JOHNSTON: If the member wants to ask me again during the division on Western Power, I can give him a more extensive answer, because we are pressed for time. I am not trying to run away from it. The current project is basically finishing, but something else is happening. Just to finish, the current projects were all approved by Dr Nahan when he was the Minister for Energy. We are finishing those projects but we will do something different. Ask me again during the division on Western Power.

Dr D.J. HONEY: I have another question.

The CHAIR: The member has about 30 seconds.

Dr D.J. HONEY: According to that clock. Paragraph 8 on page 281 states that Energy Policy WA's new functions will be partially funded by energy sector participants. Can the minister please enlighten us on how they will pay for part of that function?

[5.00 pm]

The CHAIR: Whereabouts?

Dr D.J. HONEY: I refer to page 281, and paragraph 8 under the heading, "Transitioning the Governance of Western Australia's Energy Sector".

Mr W.J. JOHNSTON: At the moment, the Energy Transformation Strategy and the continuation of the transformation work that has been done by Energy Policy WA is funded by special dividends from government trading enterprises. In the future, there will be a partial levy, a small levy, on market participants to fund some of those activities.

The appropriation was recommended.