

Extract from *Hansard*
[ASSEMBLY - Thursday, 3 June 2010]
p512b-517a

Chairman; Mr Ben Wyatt; Mr Bill Marmion; Mr Bill Johnston; Ms Andrea Mitchell; Mr Martin Whitely; Mr Tony Krsticevic; Mr Joe Francis

Western Power —

Ms L.L. Baker, Chairman.

Mr W.R. Marmion, Minister for Commerce representing the Minister for Energy.

Mr D. Aberle, Managing Director.

Mr M. de Laeter, General Manager, Customer Services.

Mr M.J. Peacock, Chief Financial Officer.

Mr B. Stratton, Chief of Staff, Office of the Minister for Energy.

[Witnesses introduced.]

The CHAIRMAN: Member for Victoria Park.

Mr B.S. WYATT: I refer to page 599 and three line items—“Total Cost of Asset Investment Program”, “Borrowings” and “Internal Funds and Balances”. Between the last budget, the 2009–10 budget, and this budget there was a change over the forward estimates of \$110 million less in that asset investment program, an extra \$93 million in borrowings and \$160 million less in internal funds for Western Power. In light of the increased dividend payout ratio that has been upped from 50 per cent to 65 per cent, it seems to have had an impact. The minister can answer that issue as to whether they are directly related or causal. Why is there a decline of over \$100 million in the asset investment program and a significant increase in the borrowings of Western Power?

Mr W.R. MARMION: We will have to take that question on notice.

Mr B.S. WYATT: I am happy to have that provided by way of supplementary information.

The CHAIRMAN: Will the minister agree to supply that as supplementary information?

Mr B.S. WYATT: Obviously, it is going to be a fairly detailed answer. Will I repeat it again or is the minister happy with what I said?

Mr W.R. MARMION: That would be handy because it is a complex chain of dollars.

The CHAIRMAN: For *Hansard*, the minister is willing to provide —

Mr B.S. WYATT: Between the 2009–10 budget and the current budget, the 2010–11 budget, the total asset investment program for Western Power decreased over the forward estimates by \$110 million. The borrowings increased by \$92.9 million and there was \$160 million less in internal funds and balances for Western Power. That is the split of how it is paying for that reduced asset investment program. In light of the increased dividend payout ratio, has that resulted in a reduced asset investment program for Western Power? If the asset investment program is reducing, why are borrowings increasing and the internal funds of Western Power decreasing as a result of that? Hopefully, that is clear enough for the advisers to come back to me with that answer.

Mr W.R. MARMION: I am getting nods.

[*Supplementary Information No A58.*]

Mr W.J. JOHNSTON: I refer to the asset investment program on page 599. In doing so, I read the words on page 56 of budget paper No 3, where Western Power’s capital expenditure is discussed. By way of preamble, it states —

Following these processes, additional capital expenditure may be required to meet growth and undertake asset maintenance and replacement.

Noting that, what funding in the 2010–11 year and the out years would be required by Western Power to bring its expected capital expenditure up to the level that was approved by the ERA? If these additional funds were granted, would that impact on Western Power’s income and borrowing profile? Finally, what risks might arise if the funding is not made available?

Mr W.R. MARMION: I will introduce this item and then pass on to Mr Aberle. I am not sure of the exact figure but that can be provided by my advisers. My understanding is that that difference is subject to a business case. Before any additional funding is provided to our asset investment program, as recommended by the ERA, the government and the minister will be looking at the business case for the total amount of expenditure and then it will be looked at accordingly after that on a case-by-case basis. I will pass it on to the managing director.

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Mr D. Aberle: The shortfall is about \$1.4 billion. As the minister has pointed out, it is not a single business case, rather a series of business cases, which page 56 refers to. We expect to bring them forward to account for the various portions of that difference.

Mr W.J. JOHNSTON: What will it do to Western Power's profile of budget, its borrowings et cetera, and what are the risks if it does not get the money?

Mr D. Aberle: The principal elements that were anticipated to bring forward are business cases on the north country line, some pole replacement work and other customer-funded work. The risks basically are either around incapacity to connect new loads or, more importantly, an elevation to the public risk safety profile. We confidently expect that the business case process will enable us to address those issues.

Mr W.R. MARMION: I understand that the minister and the government are aware of those risks and we will be looking at them accordingly and looking at the business case.

[9.40 pm]

Mr W.J. JOHNSTON: The minister has just mentioned the north country line or reinforcement, or whatever the proper name for it is. I am interested to know what impact the proposed development of industrial land at Oakajee will have on the need for that north country reinforcement.

Mr W.R. MARMION: I will just introduce the point that if there is an urgent need for that line, the business case will probably show that as a valid investment decision. I think it is not only Oakajee; I think there might be a couple others. I thought the member might have mentioned another particular project a bit closer to hand.

Mr W.J. JOHNSTON: As I understand it, the government has effectively committed to the first half of the north country reinforcement but not the second bit, and so, really, it is the second bit that I am interested in.

Mr W.R. MARMION: Basically it comes to the business case and if that is a good reason—Oakajee—it might be considered as a high priority. But maybe the managing director can add to that.

Mr D. Aberle: Yes, I have a couple of comments. The allocation for the southern portion is in fact included in that \$1.4 billion that I mentioned, and the gap is reduced by that amount. The business case process will certainly take into account development further north at Geraldton, and it is worth noting that we are currently supporting a bid for Infrastructure Australia funding for that northern portion of the line, which we are expecting to hear about in the next couple of months.

The CHAIRMAN: The member for Kingsley.

Ms A.R. MITCHELL: Madam Chair, my question has just been asked, so I will search for another one and ask you to go to somewhere else, please.

The CHAIRMAN: Certainly! Member for Bassendean.

Mr M.P. WHITELEY: I refer to page 598 in relation to distribution and the issue of pole maintenance. How much is being spent in the 2010–11 financial year —

Mr W.R. MARMION: Which line item?

Mr M.P. WHITELEY: It is under "Distribution" and is in relation to pole maintenance, which is a function of Western Power. How much is being spent in 2010–11 and over each of the forward years on pole maintenance and replacement; and what works will be done? Did Western Power engage consultants to assess possible liability from defective poles; and, if so, whom and at what cost?

Mr W.R. MARMION: I will just introduce the point that the government is really committed to the safety and viability of our system. Obviously the replacement of wooden poles is key to safety and viability, but I will refer the specific question to Mr Aberle.

Mr D. Aberle: We anticipate replacing 12 000 wooden poles in the 2010–11 financial year and an increased number in the year beyond that—we are looking particularly at 2010–11—and we anticipate reinforcing several thousand more. We have done a comprehensive review of the pole population to determine those that require attention. In fact, we are about to embark on an upgraded assessment process which was approved by the Office of Energy Safety and which will further improve the information that we have about the pole population; but we expect to replace them at that rate going forward.

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Mr M.P. WHITELEY: Through the minister: the second part of the question I asked has not been answered yet. It was about the engagement of any consultants. Were any consultants engaged to assess potential liability from unsafe powerlines and the like?

Mr W.R. MARMION: You are asking a question about —

Mr M.P. WHITELEY: Have any consultants been engaged to assess—I do not know how simple I can make it—possible public liability for defective or unsafe power poles?

Mr W.R. MARMION: I will pass that on to Mr Aberle, Madam Chair.

Mr D. Aberle: We have not taken on consultants per se on that subject. We have certainly taken technical advice but we have got a fairly comprehensive history of managing poles up to now.

Mr M.P. WHITELEY: What sort of technical advice? Has there been a report produced?

The CHAIRMAN: Through the minister.

Mr W.R. MARMION: Madam Chair, I am happy for Mr Aberle to respond to the follow-up question by the member.

Mr D. Aberle: I think it would be easiest if we just took it on notice and gave the member a list of the technical advice, because it is actually not a single report or a single consultant. We have just enhanced our own very substantial knowledge base with additional input.

The CHAIRMAN: Is the minister happy to provide the supplementary information known as —

Mr W.R. MARMION: Yes, I think the supplementary information the member is chasing is in relation to technical advice on liability.

Mr M.P. WHITELEY: It is liability for defective power poles.

Mr W.R. MARMION: Liability for anything that goes wrong with the system.

Mr M.P. WHITELEY: Yes.

Mr W.R. MARMION: And specifically powerlines and poles.

Mr M.P. WHITELEY: Power poles.

Mr W.R. MARMION: Just power poles?

Mr M.P. WHITELEY: And powerlines.

Mr W.R. MARMION: And conductors.

[*Supplementary Information No A59.*]

Mr B.S. WYATT: Can I ask a follow-up question.

The CHAIRMAN: Certainly; a follow-up question from the member for Victoria Park.

Mr B.S. WYATT: I have a follow-up question to the minister, which is for purely personal interest. What happens to the old poles?

The CHAIRMAN: What happens to all old poles?

Mr B.S. WYATT: I have wanted to know that for a long time.

Mr M.P. WHITELEY: They go to the Legislative Council!

Mr W.R. MARMION: The member wants to know about the old poles that fall out of the pole population. Madam Chair, I would like to pass that question on to Mr Aberle.

The CHAIRMAN: I am surprised!

Mr W.R. MARMION: What happens to the power poles that fall out of the pole population when they are old?

Mr B.S. WYATT: Is there a mass grave somewhere out there for poles?

The CHAIRMAN: Mr Aberle.

Mr D. Aberle: We are often asked this question by people who have a vested interest in accessing them.

Mr B.S. WYATT: I have no vested interest! I have no commercial interest whatsoever in old poles!

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Mr D. Aberle: It is periodically a subject of some interest. They are actually removed by our pole supply contractor.

Mr B.S. WYATT: Are they used for something else or what happens to them?

Mr D. Aberle: No, they are not recycled. By the time they are removed, they are usually well past their use-by-date and we have a contract to remove them. Whether they are turned into firewood or whatever, I do not know.

The CHAIRMAN: A further question from the member for Cannington.

Mr W.R. MARMION: That was a very good question, member.

Mr B.S. WYATT: It just scratched an itch!

Mr W.J. JOHNSTON: Minister, Mr Aberle talked about 12 000 poles being replaced, I think, in his answer.

Mr D. Aberle: Yes.

Mr W.J. JOHNSTON: I am just wondering at that rate, how many years will it take to replace all the poles that are currently beyond specifications or otherwise considered that they are getting old?

Mr W.R. MARMION: I will defer to Mr Aberle, if he is happy to answer that question as I pass it over to him.

Mr D. Aberle: We actually anticipate increasing that rate to 15 000 per annum beyond the next year, and we expect to hold that rate. At that rate, we expect to have eliminated the backlog by 2015.

Mr W.J. JOHNSTON: Is that replacement poles or replacement and reinforced poles?

Mr W.R. MARMION: Madam Chair, Mr Aberle.

Mr D. Aberle: The figures I quoted were replacement poles. The elimination of the backlog would be a result of both replacement and reinforcement.

Mr A. KRSTICEVIC: I have a new question relating to page 599 to do with the state underground power program. I realise the minister talked about the underground program up north and so forth, but my constituents are very concerned about the city program. I note that there is some \$19 million allocated for 2010–11 and increases moving forward. Are any refinements being made to how the program is rolled out and the criteria by which people can become eligible to have underground power in their areas? I know there have been some complexities in the past and that areas have suffered.

Mr W.R. MARMION: I think I will paraphrase the question. The member is asking about the metropolitan underground power program?

Mr A. KRSTICEVIC: Yes.

Mr W.R. MARMION: Not from a vested interest, as the member for his electorate, but as a general question?

Mr A. KRSTICEVIC: As a general question, yes.

Mr W.R. MARMION: It is on how they are assessed and evaluated and what criteria are assessed?

Mr A. KRSTICEVIC: Yes.

Mr W.R. MARMION: I might be interested in that, too, because I think my electorate of Nedlands missed out.

Mr B.S. WYATT: And mine, too, minister.

Mr W.R. MARMION: I have some upset councils in my electorate, so I would be very happy for Mr Aberle to explain the criteria for how local authorities get ticked off for underground power.

Mr D. Aberle: The process is actually managed by the Office of Energy, which chairs the underground power committee. We obviously project-manage the work. There is a series of criteria that are certainly weighted on technical grounds; in other words, from our point of view, the age and state of the asset carries a high weighting. Other factors are taken into account as well, including the council's capacity to support the work. I cannot give the member every single criterion but there is a basket. The committee, chaired by the Office of Energy, applies that basket of criteria to the bids. There is a first cut, and then they are refined secondarily to make the choices. If the member wants the detailed criteria, we will have to take that on notice.

[9.50 pm]

Mr W.J. JOHNSTON: I am very interested in the issue that has been raised by the member for Carine. In my electorate of Cannington, Western Power is currently doing a project in the suburb of Wilson. It is very

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welcome. There was an issue that came up in the project. I am wondering whether any consideration has been given to how this may be dealt with in the future: as the cost of undergrounding goes up with inflation and the cost of materials et cetera, the gap that needs to be paid by residents is also increasing. Thirty per cent of \$5 000 is about \$1 500 but 30 per cent of \$10 000 is about \$3 000. It actually becomes quite a large impost on individuals, particularly low-income individuals. I am wondering what consideration has been given to adjusting the formula so that there is a smaller impact on residents, rather than this increasing impact.

Mr W.R. MARMION: I understand there is a review underway. Obviously it will come under the Office of Energy. I have been advised that there is a review. That will be looked at as part of the review. If the member wants something more specific, the member may put a question on notice to the minister. Good handball!

Mr A. KRSTICEVIC: My understanding is that the cost is borne by the council and the council determines whether it absorbs that cost. I believe the City of Subiaco and some other councils have borne the cost themselves. Other councils pass the cost onto their ratepayers. It is really the council that determines that. Is that how it works?

Mr W.R. MARMION: I think the member is right. In fact people at the City of Subiaco told me that they started this program between the years 1981 and 1984. The city, in partnership with Western Power, funded it. The City of Subiaco actually paid for it. It got to a certain level through the City of Subiaco, and then the state government took it on. There is a section in the ward of Subiaco that has not been funded since then because it has not been a high priority. It is certainly an issue for the council to work out how it funds its component. It could be via the individual ratepayer or it could be the council itself putting in the whole amount as a ratepayer contribution. Perhaps Mr Aberle might be able to confirm whether what I have said is correct.

Mr D. Aberle: Basically the relationship is with the council. It is their responsibility to fund it. I live in Subiaco. The City of Subiaco charges such “usurious” rates that we do not have to make a contribution!

Mr W.R. MARMION: Good answer!

Mr B.S. WYATT: In that case, any funding going to those councils should be redirected to those more needy councils currently in the electorate of Victoria Park! Of course that is not my question, Madam Chair.

I refer to the first paragraph on page 598 of the *Budget Statements* which states, in part —

... establishing connections for new customers, improving the network to meet increased customer demand as well as maintaining network reliability.

I will follow up on a topic that was discussed recently in relation to the north country reinforcement. The 2008–09 budget had the north country reinforcement under Western Power. It has now been taken out and put in its own little chapter. Why has that been separated out from Western Power? Is there a reason other than an accounting reason that I should be aware of? I am curious as to why it now sits as a stand-alone item.

Mr W.R. MARMION: My understanding is that it has been provisionally allocated but it is subject to a business case. That will have to be undertaken before it is properly allocated and moves from provisional to allocated.

Mr B.S. WYATT: Can the minister say that again? It is late; I have been here since seven o’clock this morning.

Mr W.R. MARMION: It is a provisional allocation and subject to a business case.

Mr B.S. WYATT: Is the total cost of \$318 million still subject to that business case being developed?

Mr D. Aberle: That is correct.

Mr B.S. WYATT: What is the status of that business case at the moment? We touched on this a minute ago with questions from the member for Cannington: where is the business case now and what time frame can we expect from that? As has been discussed time and time again, the development of the Mid West is often dependent upon the north country reinforcement, as it is now known.

Mr W.R. MARMION: I will ask Mr Aberle to respond to that question.

Mr D. Aberle: That business case is going to the Western Power board at the end of June and will be provided to the government in July.

Mr W.J. JOHNSTON: This is as I understand it, I might be wrong —

Mr W.R. MARMION: You could hardly be wrong, member!

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Mr W.J. JOHNSTON: I often am, minister! The north country reinforcement is only the southern section. That is effectively for the mining projects but it does not actually reach Geraldton. Is my understanding correct?

Mr W.R. MARMION: That is correct.

Mr W.J. JOHNSTON: To make it clear: that means that Geraldton's load growth will not be helped by the north country reinforcement southern link.

Mr W.R. MARMION: It will help.

Mr W.J. JOHNSTON: Could the minister explain how?

Mr D. Aberle: The southern section essentially is the 330-kilovolt line from Pinjarra to Eneabba. There is also a connection across at Three Springs. That boosts the overall capacity of that northern link to some extent because it has increased the carrying capacity of half of the total. It increases the capacity that we can get into Geraldton; nowhere near as much as a full 330 line but more than is currently served by the 132 system that is in place.

Mr W.J. JOHNSTON: Is Mr Aberle basically saying because load does not have to go on the existing line and now will go out on the north country line, that means there is more capacity on the existing infrastructure?

Mr D. Aberle: It removes some restriction. We do have a capacity to inject another 20-odd megawatts to Geraldton.

Mr W.J. JOHNSTON: When is it expected that the load in Geraldton will exceed the existing infrastructure capacity?

Mr W.R. MARMION: I am happy for Mr Aberle to further respond. Before Mr Aberle responds, in layman's terms, I understood the last answer to be because we have the 330 kilovolts, another 20 megawatts can be pumped —

Mr W.J. JOHNSTON: Yes; I understood that.

Mr D. Aberle: I was clarifying that it is partly dependent on what happens with Oakajee, but anywhere between 2014 and 2016 we expect the Geraldton load to reach the point where we would need a significant increase.

Mr B.S. WYATT: I refer to the north country reinforcement and the Bunbury–Albany gas pipeline. Last year the gas pipeline was under Western Power. The north country reinforcement has been taken out and is now funded by royalties for regions. Does Western Power still have responsibility for delivering both projects—the Bunbury–Albany pipeline and the north country reinforcement—despite how they now appear in the budget papers?

Mr D. Aberle: We certainly have accountability for the north country line. I think we will have to take the gas pipeline question on notice.

Mr B.S. WYATT: If I could have that as supplementary information, that would be great.

The CHAIRMAN: Minister, do you agree to provide supplementary information?

Mr W.R. MARMION: The supplementary information is: does Western Power have responsibility for delivery of the Bunbury–Albany gas pipeline.

[*Supplementary Information No A60.*]

Mr J.M. FRANCIS: I refer to page 599, the liability of the electricity network. My general observation at my own place at Atwell is that—I have run out of time. I will take it up later. I wanted to ask the minister if he had figures on reliability and outages in the metropolitan area.

The CHAIRMAN: The question is —

That the clauses, schedules and titles of the bills be agreed to.

Question put and passed.

Committee adjourned at 10.00 pm

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