

**STANDING COMMITTEE ON  
ESTIMATES AND FINANCIAL OPERATIONS**

**INQUIRY INTO WESTERN POWER'S EVIDENCE**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
MONDAY, 17 SEPTEMBER 2012**

**SESSION TWO**

**Members**

**Hon Giz Watson (Chair)  
Hon Philip Gardiner (Deputy Chair)  
Hon Liz Behjat  
Hon Ken Travers  
Hon Ljiljanna Ravlich**

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**Hearing commenced at 5.44 pm**

**COLLIER, HON PETER CHARLES, MLC**

**Minister for Energy, examined:**

**The CHAIR:** Thank you very much on behalf of the committee for your attendance this afternoon. I am not required to ask you to take an oath or affirmation. I do not even know that you are required to give your full name, contact address and the capacity in which you appear before the committee. I think that is a given too. And you do not do a witness statement. So I think we might pretty much go straight into the questions. Clearly, our transcript will be provided to you by the normal means. I might also just indicate that Hon Ken Travers has to leave at 6pm, so he will quietly leave.

**Hon PETER COLLIER:** I do not mean to rush it. Do you know how long we will go or have you got any idea?

**The CHAIR:** Not too long, I hope.

**Hon LJILJANNA RAVLICH:** Two hours!

**The CHAIR:** That is definitely an overestimate.

**Hon PETER COLLIER:** I should not have organised. I do have something, but I will stay as long as you need me.

**The CHAIR:** Our apologies. We had a technical hitch with the IT, and then we ran on a little bit. But thank you very much. We might just go straight to some overheads to walk you through the questions. That overhead is, I guess, just a context to the key things in the report of the Standing Committee on Public Administration, just by way of an opener. If I could go to the next overhead, in 2009 EnergySafety issued Western Power an order requiring it to undertake a large number of activities to remediate concerns it had with Western Power's wooden pole network. Were you briefed on that order?

**Hon PETER COLLIER:** Certainly in terms of the actual order itself, yes, in terms of the fact that there were still some issues with regard to the network—so, yes.

**The CHAIR:** Do you remember when you were briefed?

**Hon PETER COLLIER:** I don't. I could get back to you on that. It may have been a CI note as opposed to briefing. I honestly cannot recall the exact date or if I was given a formal briefing. That would have been, I imagine, a CI, because I am familiar with the actual order, but I am not sure of the exact date.

**The CHAIR:** If I could give you that notice, as supplementary B1; so that would be when you were briefed, and how it was, and by whom if it was a verbal brief.

*[Supplementary Information No B1.]*

**Hon LJILJANNA RAVLICH:** Madam Chair, I am wondering whether the minister could provide the CI note for the committee, please, or all the CI notes that he received in relation to the order.

**The CHAIR:** Given that you were made aware of this order at some point, what did you understand to be the significance of the order?

**Hon PETER COLLIER:** I guess when it comes down to it, it is the risk involved and whether or not the network was at risk and whether or not we were providing sufficient capital to ensure that that risk was mitigated. As energy minister that is pivotal from my perspective and that would be paramount in terms of any decisions that we would make as government.

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**Hon LJILJANNA RAVLICH:** Can I just follow on: so what did you do yourself in relation to mitigating the risk?

**Hon PETER COLLIER:** All we can do really is provide funding. I mean, it is up to Western Power to make the determination in terms of pole inspection and pole maintenance, and what we did as a result of the budget, as the budget process, was they got their budget allocation, and then what we did to ensure that there was sufficient vigour and rigour around the determination of capital spent over that 12-month period, we asked for business cases to come up. Every single thing that Western Power asked for they were provided.

**Hon LJILJANNA RAVLICH:** So how much money did they ask for?

**Hon PETER COLLIER:** There were three occasions: there was \$85 million for pole replacement and reinforcement programs, \$69.5 million on safety programs and bushfire mitigation, and \$94.8 million for customer-driven projects. So that is what they asked for and that is what they were provided with. That is above and beyond what was allocated in the budget.

**The CHAIR:** What was that last item, minister?

**Hon PETER COLLIER:** It was \$94.8 million for customer-driven projects.

**The CHAIR:** We might have the next overhead, please.

**Hon KEN TRAVERS:** I assume you recoup the money for customer-driven projects, though, don't you?

**Hon PETER COLLIER:** Western Power would.

**Hon KEN TRAVERS:** Yes, through charging.

**The CHAIR:** With regard obviously to the Victorian royal commission, were you briefed on the significance of the Black Saturday fires and its implication for Western Power?

**Hon PETER COLLIER:** No, certainly not that I am aware of. Again, I certainly cannot recollect. It may have been mentioned in a meeting at some stage, but again, I cannot confirm that.

**Hon LJILJANNA RAVLICH:** Minister, did you read about the Black Saturday bushfires —

**Hon PETER COLLIER:** I certainly did.

**Hon LJILJANNA RAVLICH:** — or see it on the television.

**Hon PETER COLLIER:** I certainly did.

**Hon LJILJANNA RAVLICH:** And what did you think at that point?

**Hon PETER COLLIER:** It was horrifying.

**Hon LJILJANNA RAVLICH:** Did you at any time reflect on a similar set of circumstances and how it might relate to Western Australia and you being the energy minister and knowing the state of the poles and the other risks?

**Hon PETER COLLIER:** Yes.

**Hon LJILJANNA RAVLICH:** So what did you do about that?

[5.50 pm]

**Hon PETER COLLIER:** As a direct consequence of the Victorian situation, I do not think, with all due respect, I did anything particular. Suffice to say, we had our own issues in Western Australia, and we always do. We have got one of the largest stand-alone isolated networks in the world. We have about 630 000 distribution poles, and that brings with it enormous challenges within our network, and I am very, very aware of that. It is a very ageing network. It has had decades of neglect. Every single time that we talk about the network, we are always talking about risk; we are always talking about the ageing component of the network and the nature of the

network. As I said, so when Western Power did ask about those additional funds over a 12-month period, we provided for them. We provided for them as a government.

**Hon LJILJANNA RAVLICH:** Did you provide enough for them?

**Hon PETER COLLIER:** We provided everything that they asked for.

**Hon LJILJANNA RAVLICH:** But they would have asked you for money for funding, knowing that there were serious limitations on the amount of funding that they could get, because they were already paying a dividend to the government; they were already paying the social dividend; and then, of course, their revenues to government and Western Power revenues over the forward estimates are considerable, as you know.

**Hon PETER COLLIER:** Yes.

**Hon LJILJANNA RAVLICH:** So they would have been asking you, within the context of that, and I am going to ask you: what did you do to try and, I guess, get Treasury to understand, given the risks associated with non-funding, that they might be more generous in the funding allocation to Western Power?

**Hon PETER COLLIER:** Well, that is largely speculative, because Western Power did not ask me for any additional funding. Whenever Western Power provided an avenue for funding, I supported Western Power in their endeavours, and on each occasion we were successful.

**Hon LJILJANNA RAVLICH:** But you would have read the report from the Safety Regulator and you would have known that the amount that they were asking for would have fallen very short of the need, when compared with what needed to be done on the recommendation of the regulator.

**Hon PETER COLLIER:** Let us have a look at this. In the second access agreement, Western Power actually underspent by about 39 per cent. About \$1.2 billion they actually underspent. That is not an issue and that is not a reflection on Western Power because, quite frankly, there are a number of significant shifts and changes that occurred as a result of the global financial crisis, and there were changes in customers et cetera. So I can understand that. But we felt it was very, very important that we put rigour into the process, and that is why we ask them to put business cases up for requirements of funding. They did that. The communication worked well. They did that with my office. They went through a very arduous process and were provided with the funding as requested.

**The CHAIR:** All right. We might go to the next overhead. In relation to the Toodyay bushfire, on 29 September 2009 there was a major bushfire near Toodyay. The investigation into that fire was undertaken by EnergySafety and FESA, and the findings were disputed. However, after additional evidence was presented, EnergySafety revisited its finding and issued a final report. The conclusion of that report is outlined on this slide. Do you agree with that conclusion?

**Hon PETER COLLIER:** The government has taken responsibility for this. Western Power are in negotiations and we have provided compensation for those who were affected by the fire. I am sure you can talk to Western Power about responsibility et cetera. As far as the government is concerned, we have shown our good faith in this process by providing compensation for those who were affected by the bushfire.

**Hon LJILJANNA RAVLICH:** How many people have got compensation so far?

**Hon PETER COLLIER:** You will have to ask that of Western Power. That is nothing to do with me.

**Hon LJILJANNA RAVLICH:** You are the minister.

**Hon PETER COLLIER:** That is an issue between Western Power and them, and they are actually working through the legal processes at the moment.

**Hon KEN TRAVERS:** They do not keep you up-to-date on how many of those they have given compensation to?

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**Hon PETER COLLIER:** They are in negotiations with them at the moment. As I understand it, it still has not been confirmed.

**Hon KEN TRAVERS:** No-one has had compensation yet that you have been advised of?

**Hon PETER COLLIER:** No. They have certainly not been provided. As I understand it, they are in very close consultation with a number of those affected.

**Hon LJILJANNA RAVLICH:** So have you had a CI to this effect?

**Hon PETER COLLIER:** No, I have not had —

**Hon LJILJANNA RAVLICH:** You have not had a CI on compensation?

**Hon PETER COLLIER:** I do not think I have had a CI, but it was mentioned to me. I could check, and if it is there, obviously I will provide it.

**Hon LJILJANNA RAVLICH:** It was just mentioned, compensation to the victims of a major fire, and you have not had a contentious issues note on it. It was just mentioned?

**Hon PETER COLLIER:** It has not been decided yet. As I understand it, they are still at the point whereby the negotiated settlement has been agreed to.

**Hon LJILJANNA RAVLICH:** How could you have looked after them or Western Power looked after them, if there has been no agreement or compensation.

**Hon PETER COLLIER:** It is still proceeding.

**The CHAIR:** I might go to the next one.

**Hon LJILJANNA RAVLICH:** Madam Chair, sorry. Minister, could you provide to the committee all written documentation that includes emails and any briefing notes, contentious or otherwise? If you could provide it in relation to compensation to the Toodyay bushfire victims, that would be most helpful.

**Hon PETER COLLIER:** Certainly.

*[Supplementary Information No B2.]*

**Hon KEN TRAVERS:** Did you actually get an answer to your question, Chair?

**The CHAIR:** As to?

**Hon KEN TRAVERS:** About whether the minister agrees with the EnergySafety conclusion?

**The CHAIR:** Fair enough, yes.

**Hon KEN TRAVERS:** I think we got a bit distracted there, so I am still not sure what the answer was.

**Hon PETER COLLIER:** Sorry; what was the question?

**Hon LJILJANNA RAVLICH:** The EnergySafety conclusion.

**The CHAIR:** Do you agree with the conclusion?

**Hon PETER COLLIER:** I do. And, as I said, the government has shown that through our good faith.

**The CHAIR:** The next overhead is an extract from the Economic Regulatory Authority's final AA3 decision, 5 September 2012. Do you agree that the RA's statements accurately summarised Western Power's wooden power pole reinforcement?

**Hon PETER COLLIER:** I think that it is inevitably the result of decades of neglect that there is a high risk in the network. We are doing as much as we possibly can to alleviate it. There has been a significant increase in terms of inspections and maintenance, over the last few years in particular, to identify that there has been some significant improvements in that area.

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**Hon PHILIP GARDINER:** Sorry, Madam Chair. This is to do with the AA3. You mentioned before the AA2, and that there was an underspend by Western Power. I forget now what you said, but it seems a very material underspend. I think that you said the cause of that underspend was to do with the GFC.

**Hon PETER COLLIER:** GFC, fundamentally.

**Hon PHILIP GARDINER:** That does not quite work to me, because I would have thought and that with the GFC there would have been more contractors and so on available to actually do the work. I would have thought that would in a sense have helped, rather than now, or until recently anyway, having been the mining demand for employment and that it would be harder now. But the point I am really getting to is: with the AA3 now approved by the Economic Review Committee —

**Hon PETER COLLIER:** No, it hasn't.

**Hon PHILIP GARDINER:** It has not been approved?

**Hon PETER COLLIER:** No, it is still waiting. The final decision has not been made.

**Hon PHILIP GARDINER:** It has not been made; okay. If we can assume just for a minute that it is going to be made close to where the expectations are —

**Hon PETER COLLIER:** Tell me what the expectations are.

**Hon PHILIP GARDINER:** The expectations of expenditure.

**Hon PETER COLLIER:** Yes, sure.

**Hon PHILIP GARDINER:** Can we be more sure than with the AA2 of actually having the money fully expended? Can we fill that hole which somehow allowed the cause of the underspend in the AA2?

[6.00 pm]

**Hon PETER COLLIER:** I would certainly like to think so. Probably over the past there have been a number of issues: the parliamentary inquiry and there has been a lot of public attention focused on Western Power, and the network in particular, over recent years. In terms of the access agreement, the regulator has determined what the efficient capital spend will be. Ultimately it is up to Western Power to ensure that that spending is efficient. I have got no reason to think otherwise.

**Hon PHILIP GARDINER:** The concern I have is that the explanation you give for the underspend I would have thought would have all been incentives to actually not have an underspend. I am just wondering whether we can make sure that we are not going to fall into the same trap with the AA3.

**Hon PETER COLLIER:** As I said, customers drop off as a result of the GFC, so there are some issues there. There is a whole raft of various. In terms of specifics as to why there was the underspend, probably that is a question better directed to Western Power.

**Hon LJILJANNA RAVLICH:** Minister, given what had happened over in the east, given that clearly the ERA's final AA3 decision had serious implications from a risk point of view, if you like, on a number of key areas; that is, a risk to Western Power itself, the risk to public safety, a risk of starting bushfires and the potential for extensive property damage, these seem like very high risks. I am just wondering, who did you discuss this with in terms of perhaps other parliamentary colleagues? Did you express your concern to anybody about these potential risks?

**Hon PETER COLLIER:** What, of the network?

**Hon LJILJANNA RAVLICH:** Yes.

**Hon PETER COLLIER:** No.

**Hon LJILJANNA RAVLICH:** Or to Western Power, to public safety?

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**Hon PETER COLLIER:** Western Power put their submission to the ERA and the ERA determines whether it is an efficient spend. So they make the determination. It is an autonomous, independent regulator which makes that determination. So there can be no influence from government with regard to this process. As I said, it is a fully legitimate process. The ERA has been in establishment since 1 January 2004. It has gone through all three access agreements now. It ensures that you have a hands-off approach as far as government is concerned, so I think it is an eminently sensible approach to capital spend.

**Hon LJILJANNA RAVLICH:** Can I just ask you, did you ever have a conversation with the Premier, expressing your concerns about these potential risks?

**Hon PETER COLLIER:** I certainly cannot recall having a conversation. I talked to the Premier about energy on a regular basis. In terms of a specific conversation about risks to the network, I cannot recall having a conversation.

**Hon LJILJANNA RAVLICH:** What about risks to the people and the land in that order — public safety?

**Hon PETER COLLIER:** The Premier is very, very well versed in energy. He was an energy minister for four years.

**Hon LJILJANNA RAVLICH:** But you have never had a conversation with him about public safety, about damage to property and the like?

**Hon PETER COLLIER:** I am sure we would have had some very general conversations after Toodyay bushfires, but in terms of specific —

**Hon LJILJANNA RAVLICH:** You just said you did not have any conversations with him.

**Hon PETER COLLIER:** As I say, in a very general sense we would have had conversations about the network et cetera, but in terms of a specific conversation about risks et cetera, I honestly cannot recall such a conversation.

**Hon LJILJANNA RAVLICH:** You never picked up the phone to have a specific meeting with the Premier in relation to what are very serious matters of public importance?

**Hon PETER COLLIER:** No, I did not.

**Hon LJILJANNA RAVLICH:** Thanks, minister. Can I just ask why not? Does he not like you or is it a case that you are not interested perhaps enough? I mean, he is the Premier; you are the responsible minister. All these things are happening, huge risks across a range of areas, and you do not pick up the phone to say, “Look, we’ve got a problem. We’ve got a serious problem here”? I mean, how does it work?

**Hon PETER COLLIER:** Exactly what I have just said. Every time Western Power wanted a capital spend in terms of maintenance, we provided that funding. We did. I argued for it at the EERC. We got it. I fulfilled my obligations as energy minister to support the corporation.

**Hon LJILJANNA RAVLICH:** How would you describe your relationship with the Premier? Do you have a good relationship?

**Hon PETER COLLIER:** An excellent relationship. I have known Colin for 25 years.

**Hon LJILJANNA RAVLICH:** You have got such a good relationship you cannot pick up the phone and speak to him about such important matters to the public.

**Hon PETER COLLIER:** I am not quite sure what sort of response you want to that. Suffice to say, I didn’t.

**Hon LJILJANNA RAVLICH:** I think that is very, very poor personally, but anyway, Madam Chair.

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**The CHAIR:** Could I take you to this next overhead. This is an extract from a letter addressed to you from the Minister for Commerce, dated January 2011. Now, the letter raises the public administration inquiry into questions regarding EnergySafety's 2005–06 audit. Was this the first time that you became aware of any concerns from other ministers or agencies regarding Western Power's wooden pole safety rectification policy?

**Hon PETER COLLIER:** “Other ministers”, did you say or EnergySafety? EnergySafety had two reports: it had the 2005–06 one and the 2008 one, which identified deficiencies or issues with regard to the network. I have had, I regard, effective communication with Western Power with regard to both audit reports in ensuring that the recommendations—sorry to digress for just a moment; I think there were 33 recommendations. I asked for regular updates from that perspective. I have sort of lost your first question.

**The CHAIR:** The question was: was this the first time that you became aware of any concerns from other ministers or agencies regarding the power pole safety recommendations?

**Hon PETER COLLIER:** No, I was aware that EnergySafety had issues with regard to the network. That came as a result, as I said, more so from the '08 audit report that came from EnergySafety.

**Hon LJILJANNA RAVLICH:** Minister, I am wondering whether you could provide to the committee all communications—be it email, CIs or any other correspondence—between yourself and any other minister in relation to this particular matter.

**Hon PETER COLLIER:** Sure.

*[Supplementary Information No B3.]*

**The CHAIR:** Now, the next overhead there. You responded to the Minister for Commerce in a letter of 25 February 2011. In your letter you discussed a number of matters, including outlining the government's commitment over 2010–11 and 2011–12 of \$200 million to wooden pole rectification. Do you agree that your explanation of the risk in your letter is consistent with ERA's risk summary?

**Hon PETER COLLIER:** Yes, as in terms of identifying the risks associated with the network. Sorry, is that what you were asking?

**The CHAIR:** Yes.

**Hon LJILJANNA RAVLICH:** Can I just ask in relation to the regulatory period for 2012–13 through? Minister, in relation to Western Power, are you aware whether or not they have been asked to reduce their operating costs so that they can meet their efficiency dividend?

**Hon PETER COLLIER:** Their overall operating costs?

**Hon LJILJANNA RAVLICH:** Yes.

**Hon PETER COLLIER:** I am sure that there will be a reduction in some operating costs, but whether or not it is to meet the efficiency dividend, I cannot confirm that.

**Hon LJILJANNA RAVLICH:** What else would they —

**Hon PETER COLLIER:** Well, I guess it would have to come from operating costs, but I can confirm that for you.

**The CHAIR:** That is supplementary information B4

*[Supplementary Information No B4.]*

[6.10 pm]

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**Hon LJILJANNA RAVLICH:** Minister, I am wondering whether you can confirm for the committee whether Western Power has been asked to explore alternative sources of cash for network investment, so as to reduce its dependency on government for borrowings?

**Hon PETER COLLIER:** No, I am not aware of that.

**Hon LJILJANNA RAVLICH:** You are not aware of that at all?

**Hon PETER COLLIER:** No.

**Hon LJILJANNA RAVLICH:** Would you be surprised?

**Hon PETER COLLIER:** I am just not aware of it.

**Hon LJILJANNA RAVLICH:** I said: would you be surprised?

**Hon PETER COLLIER:** I am not aware of it. That is all I can say.

**Hon LJILJANNA RAVLICH:** I know you have said that, but I asked you: would you be surprised if that had been asked by Treasury or from the Economic Audit Committee to do that; that is, to find alternative sources of cash network investment so as to reduce their dependency on government borrowings.

**Hon PETER COLLIER:** I guess you are talking there about whether or not they are increasing their cash flow from a customer base. It is a potential opportunity but, yes, I would be surprised.

**Hon LJILJANNA RAVLICH:** Thanks, minister.

**The CHAIR:** We go to the next overhead there. Your letter included the above statement. Do you still stand by those statements?

**Hon PETER COLLIER:** Yes.

**Hon LJILJANNA RAVLICH:** In relation to that first dot point, you remain committed to ensuring Western Power continues to address and implement all the recommendations and requirements of EnergySafety's wood pole audit and order. I wonder whether you could give us a progress report on your progress in relation to —

**Hon PETER COLLIER:** The order?

**Hon LJILJANNA RAVLICH:** Yes, the order. That would be good. Thank you, Madam Chair.

**The CHAIR:** Supplementary information B5.

*[Supplementary Information No B5.]*

**Hon LJILJANNA RAVLICH:** You could not give us any information on your progress to date generally here in relation to the order. Could you give us any information at all, because it is a very important issue? I would have thought that the Minister for Energy might have a bit of an idea.

**Hon PETER COLLIER:** No. I do not want to speculate on this. I will provide that information given time.

**Hon LJILJANNA RAVLICH:** Okay. Thank you.

**Hon PHILIP GARDINER:** I have a question, minister. On point two, could you just check whether that is absolutely correct? One thousand polls in 640 000—odd is nothing just about.

**Hon PETER COLLIER:** That is correct.

**Hon PHILIP GARDINER:** I do not know, but I understand there are a number of poles yet to be actually put in the system in the database. I think that needs a bit of an expansion. I just wonder whether you could expand on that particular number.

**Hon PETER COLLIER:** It was as high as, I think, over 100 000 at one stage. That is one area that has improved considerably. I am very, very confident that the inspection backlog is less than 1 000.

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**Hon PHILIP GARDINER:** I know there were 4 000 estimated at one stage in the most recent months. It is just to see where those 4 000 poles are, because I presume they are not in the database. There might be a few more entered into the database, but I would imagine there must be at least another 2 000 or 3 000 poles that have probably not been inspected because they are not in the database.

**Hon PETER COLLIER:** Okay, I can have a look. I can show you how it has been reduced over a period of time, if you like.

**Hon PHILIP GARDINER:** Yes, sure.

**Hon PETER COLLIER:** And the most up-to-date figures as possible.

**Hon PHILIP GARDINER:** That would be helpful. Thank you.

**The CHAIR:** Just on that next overhead, you stated that you are aware that Western Power briefed the Minister for Commerce regarding its network investment and wood pole management plans. How did you become aware of that particular briefing?

**Hon PETER COLLIER:** What was your question?

**The CHAIR:** How did you become aware of the briefing or presentation?

**Hon PETER COLLIER:** Are you talking about from my response to the Minister for Commerce?

**The CHAIR:** Yes.

**Hon PETER COLLIER:** This is a letter I wrote in February 2011?

**The CHAIR:** Correct, to minister O'Brien, the Minister for Commerce.

**Hon PETER COLLIER:** I will have to get back to you on that one. I am sorry, but it is 18 months ago. It was either a briefing or I would have received a briefing note on that.

**The CHAIR:** Supplementary information B6.

*[Supplementary Information No B6.]*

**Hon PETER COLLIER:** Sorry, but we get briefings and briefing notes constantly, and I just cannot recall how I was given that information.

**The CHAIR:** If you could then, just in response to that supplementary information, say how you became aware of the briefing, when was the Minister for Commerce briefed and were you aware of the contents of that briefing?

**Hon PETER COLLIER:** Sure.

**The CHAIR:** This one I am going to take on notice too, I think. Did that briefing indicate the size in dollar terms of the investment needed to mitigate the risk? In the second paragraph it is implied that a level of funding was allocated to wooden power pole rectification. Can you explain what level of funding you were referring to in that second paragraph?

**Hon PETER COLLIER:** Again, I am not sure of the exact funding—I apologise—at this stage, given the time between when I wrote that and now, but again, I can follow that for you.

*[Supplementary Information No B7.]*

**The CHAIR:** So the next overhead. On 18 March 2011 the ERA handed down its final decision regarding Horizon Power's funding, and one of the areas under consideration was the Esperance rural network project. The final report contained the following quote and reinstated the expenditure, noting the risk to public safety and consequent mitigation. So the question is: did the funding decision by the ERA require cabinet approval before it was implemented by Horizon Power?

**Hon PETER COLLIER:** Any funding would need cabinet approval. They will have what is budgeted. Yes, I am fairly confident that it would require cabinet approval that funding.

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**The CHAIR:** Was this decision reflected in the 2011–12 budget papers?

**Hon PETER COLLIER:** I will have to get back to that. I apologise.

*[Supplementary Information No B8.]*

**The CHAIR:** We might go to the next. Minister, this slide summarises the history of EnergySafety's reviews of the wooden power poles.

**Hon PETER COLLIER:** I am sorry. My sight is going. I am shortsighted. I can see close-up; I can't see anything far away.

**The CHAIR:** Okay. This summarises the history of the EnergySafety's reviews of the wooden power poles, the bushfires that are attributable to wooden power poles and also the Victorian Black Saturday bushfire. Do you agree that the timeframes and the ministerial correspondence and the Horizon investment decision indicated that prior to 20 April 2011 the government and all its key agencies, such as Treasury, could reasonably be expected to be aware of the substantial public safety risk arising from the state of Western Australia's wooden power pole network?

**Hon PETER COLLIER:** There is certainly sufficient information that has been provided by EnergySafety to identify deficiencies within the network. I have said that consistently.

**The CHAIR:** Prior to April 2011?

**Hon PETER COLLIER:** Yes.

**Hon LJILJANNA RAVLICH:** Minister, can you just outline what some of those deficiencies are?

**Hon PETER COLLIER:** As I said, certainly as far as the network is concerned in the SWIS it is an ageing network. A number of these poles are decades old. It keeps on saying about 630 distribution poles. That in itself presents an enormous problem for government and an enormous problem for Western Power and the network as a whole.

[6.20 pm]

**The CHAIR:** We might go to the next overhead, please. This next extract is a Western Power board paper, dated 7 April 2011. Can you advise what was the membership of the EERC for the 2011–12 budget process?

**Hon PETER COLLIER:** I could name as many as I could, but at the risk of missing some, I would prefer to provide that for you on notice, if you do not mind.

*[Supplementary Information No B9.]*

**Hon PETER COLLIER:** I can go through and name as many as I can, but, as I said, I just prefer to give it to you in a written form.

**The CHAIR:** Do you believe that Western Power's AA3 engagement strategy was successful?

**Hon PETER COLLIER:** I think it was as rigorous as it could be. They have been arduous in the process in terms of identifying what was needed for capital spend, for operating spend and so on. Yes, I have got no reason to think otherwise.

**The CHAIR:** If we go to the next overhead there, Western Power gave the committee a copy of the presentation dated 29 March 2011. The name of the file indicated that the presentation was used for a ministerial briefing. Did you receive this briefing on 20 April 2011?

**Hon PETER COLLIER:** It does look familiar. I cannot say that I received it on 20 April, but I can go back and have a look in my diary, if you like, and confirm that.

*[Supplementary Information No B10.]*

**The CHAIR:** What did you think when you saw this specific presentation, its expenditures and the comments regarding public safety?

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**Hon PETER COLLIER:** I cannot recall what I thought. Again, this is 18 months ago. If I saw that, I would say—I can only speculate on what I might have thought—that is the fact that it is a significant capital spend, there are risk issues, and that will be taken into consideration in terms of government's decision on funding the network.

**Hon LJILJANNA RAVLICH:** Can I just ask: given that it is a significant spend and would have a significant impact, I wonder whether you could outline to the committee what would be the likely impact of that significant spend on state finances?

**Hon PETER COLLIER:** I have got no idea.

**Hon LJILJANNA RAVLICH:** You have got no idea?

**Hon PETER COLLIER:** No. I mean, it is something that you would have to ask Treasury. Suffice to say, as I said, anything that is going to put pressure on the state finances is met with a legitimate degree of caution on behalf of Treasury.

**Hon LJILJANNA RAVLICH:** Is that because the level of debt is so high at the moment, minister?

**Hon PETER COLLIER:** I do not want to speculate. That is something you would have to ask Treasury.

**Hon LJILJANNA RAVLICH:** Then why is it a problem?

**Hon PETER COLLIER:** Every time we go into EERC, I go in there with the express intent of getting my funding, knowing full well more often than not you are either not going to get it or you are only going to get a part of what you request. That is just a part of being in government. You, as a former minister, would appreciate that. You just do not get what you want.

**Hon LJILJANNA RAVLICH:** Can I just ask you whether Western Power has been asked to have a capital audit done of it? Is there a capital audit of Western Power as per perhaps the recommendation of Treasury as a result of the Economic Audit Committee recommendations?

**Hon PETER COLLIER:** No. As I said, we have a rigorous business case for everything that comes through in terms of capital spend for Western Power. That is the process that we have adhered to for the last 18 months and beyond.

**Hon LJILJANNA RAVLICH:** My understanding is that given the current situation with state finances, the government is keen to ensure that everybody is contributing to ensure that the state is in a sustainable financial position. The efficiency dividend and the capital audit are examples of this. Now, what capital audit might that be? I have asked you: is there a capital audit being undertaken in Western Power?

**Hon PETER COLLIER:** As I have just said to you, every single capital spend that Western Power embarks upon—above the budget that has been allocated by EERC—has to go a very, very rigorous business case. So that in itself is an audit. With regard to an overall capital audit, which would have been proposed or instigated through Treasury, I can check up for you, if you like.

**Hon LJILJANNA RAVLICH:** All right. I wonder whether you could provide me any correspondence or emails et cetera in relation to a capital audit and Western Power?

**Hon PETER COLLIER:** Sure.

*[Supplementary Information No B11.]*

**The CHAIR:** We will go to the next overhead, please. This slide contains an extract from the Economic Regulatory Authority's draft AA3 decision, dated 29 March 2012. You agree that the amount proposed to be approved by the ERA for Western Power to spend on its wooden power pole network is close to that actually initially proposed by Western Power on 15 February 2011; so whether the amount proposed to be approved is close to that actually initially proposed by Western Power?

**Hon PETER COLLIER:** That is, but the final decision has not been determined at this stage from the access agreement. But, you know, the final decision is there, so it is still open to, I think it is called, the final final decision, where Western Power have the opportunity to appeal, and then the actual final final decision will then be handed down.

**The CHAIR:** Would you agree that the sums involved are significant?

**Hon PETER COLLIER:** They are.

**The CHAIR:** And would you agree that expenditure of this size to mitigate the significant public risk would be material to Parliament's assessment of the budget?

**Hon PETER COLLIER:** I am sorry; I do not understand.

**The CHAIR:** Basically I am saying that given that this is a significant sum, and also because there is a significant public risk associated with this expenditure or not, that it would be material to Parliament's assessment of the budget?

**Hon PETER COLLIER:** Material to Parliament's assessment?

**The CHAIR:** So when we examine the budget a figure like this is an important one for us.

**Hon PETER COLLIER:** It is. But this is very, very speculative at those early stages, because this is prior to the submission even being presented to the ERA. That is what needs to be remembered. This is 15 February 2011. Western Power's actual submission did not go in until the end of September, so this is very early in the piece. These figures chop and change quite regularly in terms of what is expected. As I said, that is very, very early in the piece as far as the access agreement is concerned.

**The CHAIR:** If we go to the next slide there, this is an extract from budget paper No 3 of the 2011–12 budget. Would you agree that the statement in this slide does not reflect the government's understanding of the significance of the power pole risk to the public?

[6.30 pm]

**Hon PETER COLLIER:** No, because I think this reinforces what I was saying, and that is that at the time that is not saying that we are going to dismiss the access agreement. The funding is actually in the budget. What will happen then, of course, is that that will be funded, or the first two years of the access agreement will be funded, and so I think it is eminently sensible that you put something like that in the budget, because, of course, Western Power's submission for the access agreement was not due for another six months. We are talking here in terms of when the first submission was put forward in February and March—February 2011. Their final submission did not go to the ERA until September 2011. So what it is showing is that it may be required to meet requirements in the network and undertake asset maintenance and replacement and mitigate safety, security and reliability issues. I think what that is doing is reflecting the fact that there will still be some changes and it will reflect the final submission from Western Power for the access agreement—AA3 that is.

**The CHAIR:** So you do not think that statement does not actually make clear the necessity of investing in wooden power pole replacement to mitigate the risk?

**Hon PETER COLLIER:** I think it could possibly have been a little bit more transparent in terms of the fact that we do have a network that is facing risk, but with all due respect, it is very, very difficult at that early stage to ascertain exactly what capital spend we are going to be provided with, given the fact that we are still six months out of the final decision. There is still a lot of water to go under the bridge as far as this submission is concerned.

**The CHAIR:** Would you agree that it would have been possible to include an estimate, with suitable qualification as to its accuracy, in the budget papers for the public and the Parliament to understand the actual financial implications of the wooden power pole risk?

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**Hon PETER COLLIER:** I understand where you are coming from, yes. It is certainly something that could have been added. Having said that, it is a difficult one.

**Hon LJILJANNA RAVLICH:** Why?

**Hon PETER COLLIER:** Because then you are saying it puts expectations there in terms of what is needed. I think you have just got to be careful when you have got such a massive capital spend that you do not either raise expectations or that capital spending is widely divergent. As I said, that is why we have been much more rigorous in terms of our approach towards the capital spend of Western Power but also mindful of the fact that risk is paramount.

**Hon LJILJANNA RAVLICH:** Just going back to Western Power borrowing from the private sector for network investment, are you aware at any time that Western Power has gone to the private sector sourcing funds?

**Hon PETER COLLIER:** No, I am not aware of that. Check with Western Power.

**Hon LJILJANNA RAVLICH:** Can you provide the committee with information in respect of that? I know that you are going to be giving us some documentation.

**Hon PETER COLLIER:** Yes, that is fine.

**Hon LJILJANNA RAVLICH:** You have never heard it mentioned?

**Hon PETER COLLIER:** No, not that I am aware of.

**Hon LJILJANNA RAVLICH:** Whether Western Power is exploring alternative sources of cash for network investment—

**The CHAIR:** You said earlier, did you not?

**Hon LJILJANNA RAVLICH:** Yes, but I asked about the documents. I am asking whether there has been any conversation and whether the minister has been alerted to it.

*[Supplementary Information No B12.]*

**The CHAIR:** This, minister, is your response to a question from a committee member regarding what has been done with respect to the wooden poles during a hearing with our committee in June of this year. The evidence presented earlier indicates that you were aware of Western Power's proposals to invest substantial sums of money in rectification of the wooden power pole network through the AA3. Why did you not advise the committee and the public of Western Power's proposal to spend nearly \$700 million in the AA3 on wooden power poles?

**Hon PETER COLLIER:** This was in June 2011. This goes way back, so at that stage you are still talking about a proposal and the access agreement. That was in the very early stages. We still have a way to go before we get to the point whereby that proposal is in a formal document that goes to the ERA for consideration. So, as I said, at that stage I think it probably would have been inappropriate to provide that sort of information. That is really just a proposal to the regulator. We have still got a long way to go yet before the AA3 is finalised, and so we are still not there even yet, which is getting towards the end of 2012.

**The CHAIR:** I guess from the committee's perspective I suppose it might feel that it was relevant information that would have enhanced our understanding of the situation and the public understanding of what was being done with regard to the level of risk and the potential mitigation.

**Hon PETER COLLIER:** Yes, look, I understand that, and I appreciate that, having said that, as I said, certainly the fact that it was so early in the piece as far as the access agreement is concerned and the determination of the access agreement is concerned. I think it was probably a little early in the piece. Having said that, the estimates committee is the perfect opportunity to provide full transparent disclosure, and in retrospect it may have been appropriate.

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**Hon PHILIP GARDINER:** From the budget papers of 2011–12—you do not have this in front of you, I know—there is an item “Works in Progress”, and a line item “New Capacity, Asset Replacement and Public Safety” where there is \$360 million for 2011–12 and in excess of \$300 million for each of the next three forward years. As I understand, those numbers were there on the expectation of AA3 coming good to at least a certain extent, which I think is in those numbers. So in a way, what we have got is: in the budget papers those numbers have already fuelled expectations, and that is in the budget papers.

**Hon PETER COLLIER:** Where are you?

**Hon PHILIP GARDINER:** Page 619. It is “Works in Progress”, and then the fourth line down, “New Capacity, Asset Replacement and Public Safety”, and then you have got under the 2011–12 column \$360 million and then \$316 million, \$319 million and \$329 million roughly, going across it. In a way I think the expectation thing has already been satisfied there—I will not say “satisfied”; it is met.

**Hon PETER COLLIER:** To a degree. That is what has been budgeted for. That is already in the budget.

**Hon PHILIP GARDINER:** That is already in the budget, but that also assumes AA3 coming through.

**Hon PETER COLLIER:** Yes, it does.

**Hon PHILIP GARDINER:** In analysing AA3, one would have expected that that would have included a lot of wooden pole replacement and renovation. It says there that replacement is part of it. What I am saying is that there was public record there of that money already being budgeted for.

**Hon PETER COLLIER:** Okay.

**The CHAIR:** Can I also ask then whether you were aware when you made this statement or responded in this way that there were approximately 4 000 power poles whose location was not known to Western Power?

**Hon PETER COLLIER:** No.

**The CHAIR:** You were not aware of that?

**Hon PETER COLLIER:** Yes, I was not aware of that.

**Hon LJILJANNA RAVLICH:** When did you become aware of it?

**Hon PETER COLLIER:** I think it may have been with the parliamentary inquiry. That is the first time I became aware of it.

**Hon LJILJANNA RAVLICH:** And what did you do about it?

**Hon PETER COLLIER:** Well, you know, we try to get as much rigour within the corporation as we possibly can. We have got a very good management team in Western Power now. They have just got a new chairman of the board, and I am very comfortable with the operations of Western Power.

**The CHAIR:** We will continue onto the next one. One of the themes in unassisted failure was the lack of parliamentary oversight and disclosure regarding Western Power’s power pole network. In your letter to the Minister for Commerce you stated that, and I quote, “remain committed to ensuring Western Power continues to address and implement all recommendations and requirements of the EnergySafety’s report, audit and order”. Can you explain how your commitment to comply with the order has resulted in this statement in the draft AA3 decision statement?

[6.40 pm]

**Hon PETER COLLIER:** In this statement here?

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**The CHAIR:** It seems to be at odds.

**Hon PETER COLLIER:** It does. Yes, I mean, that is disappointing; it really is. As I have said, I am conscious of that. As I said, what we can do is to put as much rigour into the corporation as we possibly can, and we needed to have a significant cultural change in Western Power to ensure that, dare I say, the relations, particularly with EnergySafety and Western Power, are more harmonious and more effective and responsive, and I am genuinely confident that that situation has improved, particularly over the last 12 months.

**Hon LJILJANNA RAVLICH:** Minister, are you saying that the problem rests with the relationship between Western Power and EnergySafety?

**Hon PETER COLLIER:** No, not at all. I just think that Western Power needed to have a bit more respect for EnergySafety's identification of issues that exist.

**The CHAIR:** But is it not true that the government did not fully fund Western Power to the extent necessary for it to at least try to comply with those EnergySafety orders?

**Hon PETER COLLIER:** I am not quite sure how we did not do that. As I said, certainly as far as Western Power was concerned, whenever Western Power sought funding above and beyond what has been budgeted, they have been provided with that funding.

**Hon LJILJANNA RAVLICH:** So no-one had a quiet word in their ear not to ask for too much or not to ask for what they need, but either to trim the cloth according to the limitations of the finances. No, you never spoke to them about that?

**Hon PETER COLLIER:** No. What, about not asking for more money?

**Hon LJILJANNA RAVLICH:** Yes.

**Hon PETER COLLIER:** No.

**Hon LJILJANNA RAVLICH:** Can I just ask, Madam Chair, how the minister interprets the words "proposed wood pole management program is inadequate". What do you understand that mean?

**Hon PETER COLLIER:** I think probably it just means from that perspective that the wood pole program, or the backlog in terms of maintenance, needs more rigour and that perhaps they need to be mindful of the fact that as a direct result of the fact that the maintenance of the poles had not been, dare I say it, as expeditious as possible and that has created a degree of risk.

**Hon LJILJANNA RAVLICH:** Okay. What do you understand that it means; that the investment approach of Western Power does not fully meet the order's requirements?

**Hon PETER COLLIER:** Exactly the same thing. I think that as far as AA3 is concerned, they put in what they anticipated would be needed, and as far as the regulator is concerned, that is an efficient spend and is what they have been provided for. At that stage, as far as the regulators concerned, perhaps it has not been as rigorous as necessary.

**Hon LJILJANNA RAVLICH:** You do not interpret that to mean more resources are needed?

**Hon PETER COLLIER:** Potentially, as I said, I think you will always find as far as Western Power is concerned, they require additional funds, and that meets the expectations or the efficiency levels that are anticipated by the ERA. They will be provided with those funds.

**The CHAIR:** If I could take you to the next one, this is the final ERA decision. Can you advise when the house was informed of this additional expenditure on wooden power poles?

**Hon PETER COLLIER:** What was the question, sorry?

**The CHAIR:** When was the house informed of this additional expenditure?

**Hon PETER COLLIER:** I cannot answer that actually. I am not actually sure it was, but I can check and get back to you on that.

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**The CHAIR:** It might well not have been advised.

**Hon PETER COLLIER:** Yes, I do not think it was from memory.

**The CHAIR:** I might give that to you on notice as well if you just want to confirm your understanding there.

**Hon PETER COLLIER:** Sure.

*[Supplementary Information No B13.]*

**The CHAIR:** It is a bit tricky for the rest of these questions if you are not sure whether you have advised or not. We might have to hold those questions until you can confirm your understanding of whether the house has been advised or not. I think that would be the appropriate way for us to deal with that.

**Hon LJILJANNA RAVLICH:** Madam Chair, can I just ask a quick question. That \$1.112 million, which I understand to be an increase from the \$748 million, that would be the cost of dealing with all the power pole issues—right? Now, minister, you have said that Western Power, in response to the order, actually asked for \$85 million, \$69 million and \$94 million, which is \$250 million or thereabouts. That is just an absolute fraction of what is required. How do you sort of reconcile the fact that the ask was so poor, given that the amount that is really required to deal with this issue is so large? How do you reconcile that that is all that Western Power thought they needed and therefore asked for when in fact the true picture of the amount required is so large by comparison?

**Hon PETER COLLIER:** I cannot. I can only say whatever Western Power have requested they have been provided.

**Hon LJILJANNA RAVLICH:** Let me put it to you this way: if Western Power come back and ask for \$700 million next time around, they will be provided it?

**Hon PETER COLLIER:** No, that will be part of the budget. Anything above what has been budgeted for will go through a rigorous business case, as I have said before.

**Hon LJILJANNA RAVLICH:** So these amounts, is that the end after a rigorous budget process? Are they the end amounts or is that what they asked for? I am talking about the \$85 million, plus the \$69 million, plus the \$94 million.

**Hon PETER COLLIER:** That was just in addition to; that was additional funding. Let me just check, Chair —

**The CHAIR:** The final one coming up right now.

**Hon LJILJANNA RAVLICH:** You are keen to get out.

**Hon PETER COLLIER:** No, I am not at all, but I had from 5.00 to 6.00 down for you.

**The CHAIR:** So did we.

**Hon PETER COLLIER:** Where are we?

**The CHAIR:** This was a network investment presentation.

**Hon PETER COLLIER:** Yes.

**The CHAIR:** Did you receive this presentation?

**Hon PETER COLLIER:** When? Is there a timeframe? It does not look familiar at all.

**The CHAIR:** The copy we have got is undated, so I cannot assist you. We assume that it was presented to you at some point.

**Hon PETER COLLIER:** I cannot recall, but I can go back and I can check.

**The CHAIR:** Could you confirm that? Supplementary information B14.

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*[Supplementary Information No B14.]*

**Hon PETER COLLIER:** Can we get a copy? We will be presented with a copy?

**The CHAIR:** Sure. I think perhaps also, minister, if you are not sure about whether you received this, it is a bit hard to ask you a further question on it, so it might have to wait until you have confirmed that before we can ask you anything further.

It might come to the point where I am asking members if they have any additional questions.

**Hon LJILJANNA RAVLICH:** No.

**Hon PHILIP GARDINER:** No.

**The CHAIR:** Okay. Minister, the committee will forward any additional questions it has to you in the next couple of days, together with a transcript of evidence, including questions you have taken on notice. Feel free to text, as long as you are listening at the same time!

**Hon PETER COLLIER:** If you do not mind. I am listening, too.

**The CHAIR:** I am sure you are.

Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date, and the advice must include specific reasons as to why the due date cannot be met. Members, if you have any unasked questions, just provide them to the committee clerk at the close of hearing.

Finally, on behalf of the committee, thank you very much for your appearance at the hearing this evening, and again, apologies for the few technical challenges we had —

**Hon PETER COLLIER:** No problem.

**The CHAIR:** — and that we ran a bit over time.

**Hon PETER COLLIER:** Thank you.

**Hearing concluded at 6.50 pm**

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