

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

ONGOING BUDGET ESTIMATES HEARINGS 2010–11

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 7 JULY 2010**

SESSION FIVE

Members

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

Hearing commenced at 3.33 pm.

COLLIER, HON PETER
Minister for Energy,
sworn and examined:

HILL, MS ANNE
Acting Coordinator of Energy, Office of Energy,
sworn and examined:

WILLIAMS, MS TERESA
Director Corporate Services and Chief Finance Officer, Office of Energy,
sworn and examined:

The DEPUTY CHAIR: I will begin with the preliminaries. Thank you for coming to the meeting. Before we begin I must administer the oath or affirmation. There are bibles in front of you. If you wish to take the oath, place your hand on the bible.

[Witnesses took the oath or affirmation.]

The DEPUTY CHAIR: Thank you. You will have signed a document entitled “Information for Witnesses”. Have you read and understood that document?

The Witnesses: Yes.

The DEPUTY CHAIR: Thank you. These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing, for the record. Please be aware of the microphones and try to talk into them, ensure that you do not cover them with papers or make noise near them and please try to speak in turn. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during the proceedings today, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that the uncorrected transcript should not be published or disclosed. This prohibition does not, however, prevent you from discussing your public evidence generally once you leave this hearing. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia. This committee values that assistance. Members, it will greatly assist Hansard if, when referring to the budget statement volumes or the consolidated fund estimates, you please give the page number, item, program, amount and so on in preface to your questions. Hon Ljiljanna Ravlich.

Hon LJILJANNA RAVLICH: Minister, I refer to page 113 of budget paper No 3.

Hon PETER COLLIER: Is that page 113?

Hon LJILJANNA RAVLICH: Yes.

Ms Williams: It is not page 113 in that volume, minister.

Hon LJILJANNA RAVLICH: It is budget paper No 3. It is general government expenses. Under “Office of Energy” we have “Gas Supply and Emergency Management”, “Cleaner Energy Initiative

- Planning” and “Hardship Assistance”. We have heard you on a number of occasions refer to hardship assistance and that the —

... additional \$7.7 million over two years from 2009-10, has been approved for the development of a more equitable tariff and concession framework to assist financially disadvantaged customers and for the provision of efficient water heating in public and community housing.

In relation to that, first of all, can you tell me, of that \$7.7 million over two years, how much will be allocated to 2009–10 and how much will be allocated to 2010–11? Can you clarify if it is the case that some of that \$7.7 million was allocated in 2008–09?

Hon PETER COLLIER: I will ask Ms Williams to go for it.

Ms Williams: If you do not mind, I will refer you to page 589 of budget paper No 2.

Hon LJILJANNA RAVLICH: I do not have that; no, I probably do. Go on!

Ms Williams: It includes a table “Details of Controlled Grants and Subsidies”. This provides you with a little more detail in relation to hardship. You will see there are two line items not quite half way down. One is called “Hardship - Financial Assistance” and one is called “Hardship Efficiency Package”. The “Hardship Efficiency Package” funding—as you can see it is spread out over all the years of this table—is funding that relates to previous decisions for hardship. In relation to your question, the additional money is identified in the additional financial assistance money that is available in that line.

Hon LJILJANNA RAVLICH: Yes, but if I look at that, I see —

Ms Williams: So, \$6.3 million for 2010–11.

Hon LJILJANNA RAVLICH: Yes.

Ms Williams: And \$2.6 million for 2009–10. I think your question was how much was —

Hon LJILJANNA RAVLICH: Which is \$8.9 million.

Ms Williams: Yes.

Hon LJILJANNA RAVLICH: Whereas we have a reference here to \$7.7 million over two years.

Ms Williams: I am sorry; I am just trying to do the sums in my head as to where the other money comes from.

Hon LJILJANNA RAVLICH: I have no idea, because, you know, we have an announcement here that says an additional \$7.7 million over two years from 2009–10. Whereas, we have only —

Hon PETER COLLIER: No; you have more.

Ms Williams: Two point nine.

Ms Hill: You have more rather than less.

Hon LJILJANNA RAVLICH: Yes; we have more, but why have we more? I should have \$7.7 million. I mean, surely it cannot be that sloppy. It said \$7.7 million or —

Hon PETER COLLIER: Yeah; we know your question.

Hon LJILJANNA RAVLICH: Or is it \$8.9 million?

The DEPUTY CHAIR: You have time to check it —

Ms Williams: We have more money. I guess I am focused on the Office of Energy, whereas this is something DTF do. I am sorry.

Hon LJILJANNA RAVLICH: Can I —

Hon PETER COLLIER: No, we will find it.

Ms Hill: Perhaps we can take it on notice or we will find out where it is and —

The DEPUTY CHAIR: Okay; that is the best idea. We will take that on notice.

[*Supplementary Information No E1.*]

The DEPUTY CHAIR: You will be able to get the full gist from the *Hansard*.

Hon PETER COLLIER: Yes.

Ms Williams: Sorry, is the difference \$2 million?

Hon PETER COLLIER: Yes, it is \$2 million.

Ms Williams: Sorry, I know what that \$2 million is.

The DEPUTY CHAIR: Okay.

Ms Williams: That \$2 million is money that has, in the first instance, come to the Office of Energy and that is why it is reflected in the table I referred you to. That \$2 million will automatically go to child protection for its role in the hardship efficiency assistance.

Hon LJILJANNA RAVLICH: Okay

Ms Williams: That is what —

Hon PETER COLLIER: Because child protection coordinates the hardship —

Ms Williams: Sorry, this table here, now that I have looked at it, only reflects that which stays with this portfolio. Obviously, that \$2 million is in a different portfolio.

Hon LJILJANNA RAVLICH: Okay. Really, it is \$2 million to administer a \$7.7 million program.

Ms Williams: No. Sorry, it is not to administer the program. The \$2 million that goes to the other agency is for services it delivers.

Hon LJILJANNA RAVLICH: Okay. Can you then provide us with the split of who is going to deliver what service? The context that we have heard—the minister has said in the Parliament on a number of occasions—is that this is about hardship assistance, and yet we find out that some of it is going somewhere else, which is fine. But that \$7.7 million has been approved for the “development of a more equitable tariff and concession framework” that will not directly mean any additional subsidy to consumers out there. It might, in the longer term, provide some efficiencies, but it is not any direct payment “to assist financially disadvantaged customers and for the provision of efficient water heating in public and community housing.” This is a bit different from the concept of hardship assistance, which is, I cannot pay my bill and you are going to provide me with some additional assistance to do that.

Hon PETER COLLIER: Can I just explain that?

Hon LJILJANNA RAVLICH: Yes.

Hon PETER COLLIER: I think that the changes to the tariff structure—and I foreshadow changes to the tariff structure. I cannot be definitive in that response. I am not sure that we will go down that path, but we are looking, at the moment, to changes to the tariff structure that look towards a tiered system that will impact positively on those in hardship. When I originally looked at the issue with regard to a tiered tariff structure, the notion of the format of that tariff structure was very varied. I was not convinced, certainly initially, that it was going to impact positively on those who are least able to pay. That is what the Office of Energy is doing at the moment. I will get Ms Hill to comment as well in a moment. The different types or methods of tariff structure range from one or two tiers right up to some that have 18 or 19 tiers. I do not want to treat this flippantly. The whole point of the exercise to change the tariff structure is to make it a more equitable system, particularly for those least able to pay. I think that it will benefit those who are struggling at the moment. In fact —

Hon LJILJANNA RAVLICH: But it is hardly a —

Hon PETER COLLIER: Wait on. You do get to a point where we can actually say that those people who are in hardship or who really do struggle—and it is not just people who get HUGS or who get rebates. We are talking about people on fixed incomes; we are talking about pensioners, a whole raft of people, who could be impacted positively with the change in the tariff structure. Now that is the reason we have gone down this path. But we will not do in an ad hoc fashion. We will do it after extensive research and consultation to ensure that we get it right. I would just ask Ms Hill to comment.

Ms Hill: I do not know if you have any particular questions, but I will explain what we do.

The flat rate structure that we have had for many years is quite regressive, because it means that—particularly since we have a fixed charge and a variable charge—whenever there is an increase of a fixed percentage in the rates, it impacts most on the lower end users, who are often also the lower income earners. So, the inclining block tariff that the minister mentioned, actually allows you to put the people on the lowest use, which is also normally the lowest income, closer towards their marginal costs. So they differentially pay somewhat less than people who are more affluent and can pay.

[3.45 pm]

Hon LJILJANNA RAVLICH: I do not have a problem with the development of a more equitable tariff and concession framework, but I think calling it “hardship assistance” is very misleading. It is not direct hardship assistance. It may take quite a while for this framework to be developed. I do not know. I do not know when it is going to kick in or when consumers will directly benefit. The question I have is: how much money is going directly to people who cannot afford to pay their power bills and who need assistance so they can get heating in their homes, for example?

Ms Hill: The hardship covers a number of things, particularly the people who cannot pay their bills. Hardship covers a number of things. The hardship utility grant scheme is for the people who have a bill and cannot pay it and face disconnection. It is specifically money that pays their bill for them. The hardship program overall is very much bigger than that. It also includes the hardship efficiency program, which enables us to provide more efficient fridges. There is a hot water system coming in this time as well. That is a longer term thing.

Hon KEN TRAVERS: To give or to subsidise?

Ms Hill: The fridge replacement program is specifically a new fridge for old—for people who have very old, inefficient fridges, which is one of the largest users of power in the house. We are replacing them with more efficient fridges.

Hon KEN TRAVERS: At no cost?

Ms Hill: At no cost.

Hon LJILJANNA RAVLICH: I understand this whole package of hardship measures is valued at \$31.4 million. I am assuming the \$7.7 million goes into that \$31.4 million mix. Can you give us a breakdown of each of the respective grant categories and how many people applied and got grants in 2007–08, 2008–09 and 2009–10 and 2010–11?

[*Supplementary Information No E1.*]

Hon KEN TRAVERS: On the issue of the tiered tariffs—I understand the argument you made—I assume that if you bring it down closer to the marginal costs for the first so many units of consumption, ultimately, you will need to increase the next two tariffs to recoup the money so that the system gets the same amount of money there. How do you ensure large families are not penalised under that system?

Hon PETER COLLIER: That is exactly why we are taking our time on this. Exactly what you articulated came out in the initial stages when I looked at this. I want to make sure we get it right. They call them electricity guzzlers; they have all the lights on and televisions on. In effect, they are paying the same for their electricity per kilowatt hour, as the pensioner sitting at home in front of a one-bar heater.

Hon KEN TRAVERS: And it is turned off.

Hon PETER COLLIER: Possibly, yes. To pick up on a point Hon Ljiljana Ravlich pointed out, I do think it is a hardship measure. We are creating a system whereby those who have difficulty with their electricity accounts are catered for in this model. Picking up on the point you made, Hon Ken Travers, yes we have to get the balance right so that we look after those but do not make sure there is punitive action at the top that makes it virtually impossible for those who have a plethora of different electrical appliances.

Hon KEN TRAVERS: I do not care if someone in my circumstance has lots of electrical appliances, but for someone with four or five kids, the cost will be significantly higher.

Ms Hill: That is one of the questions we are looking at. It is one of the reasons this whole thing is being done in partnership with the non-government sector. We are working directly with WACOSS and have called upon the St Vincent de Paul Society. It has a couple of experts who work on these tariffs. That is the one we have looked at. The beauty of this system is that you can move people along the tariffs with concessions, which is why we say it is both a tariff and a concession framework. The two are both sides of the same coin.

Hon KEN TRAVERS: You then apply a CSO.

Ms Hill: A CSO into that. Effectively you would probably do it through something like the family tax benefit system, so you can identify those people with large families. As you know there is a dependent child rebate at the moment, probably not terribly well targeted. We have got WACOSS involved to make sure we find these people who are atypical users and are disadvantaged.

Hon KEN TRAVERS: To do that you would require the assistance of the federal government with its tax records, I would think. Have you had discussions with it about that?

Ms Hill: Not yet. It is like all the eligibility criteria. We do not have to do it directly; we can do it through a proxy such as Centrelink. That was the suggestion made by the NGOs as the best eligibility. But we are certainly open to others.

Hon PETER COLLIER: We are not there yet; it is all speculative. That is why we are looking at models to make sure we get it right.

Hon LIZ BEHJAT: I refer to “Details of Controlled Grants and Subsidies” on page 589. There is a number of programs there that we see no funding for in the budget out years. Have these programs come to an end or have they been taken up by one of the other energy groups? I notice that on page 584 “Significant Issues Impacting the Agency” there is a strategic energy initiative due by the end of 2010. Are we waiting to see what is in that energy initiative to work out what we are going to be doing in future years about grants and subsidies; are those two tied together?

Hon PETER COLLIER: I will ask Miss Williams to talk about the grants and subsidies and I will talk about the SEI in a moment.

Ms Williams: In relation to the table and the absence of funding in every year for the out years, this table simply reflects decisions that are approved already. For example, in any program, it may be that when the decision was made by cabinet the program would run for four years, and the funding was then allocated for those four years. It then takes another decision of cabinet to include any additional funding for out years. Anywhere there is a dash means no decision was made to provide funding for those programs in those years. It is not to say there will not be in the future but it requires going through that process to get that funding.

Ms Hill: I need to add to that a commonwealth one, which has ended.

Ms Williams: Yes, sorry; the commonwealth one is an exception.

Hon PETER COLLIER: The SEI will have a host of different recommendations, I have absolutely no doubt about that. It is in a bit of a draft at this stage, but it has a number of months to go at this stage. It is interesting. Because the SEI went right across the state, there were different issues in different regions specific to particular regions and generic issues that covered the whole state. The identifiable specific issues will be dealt with and they will be considerations for future budgets.

Hon KATE DOUST: I refer to page 589 in reference to the underground power project, particularly the localised enhancement project and those announced in 2007. Which areas have not been completed?

Ms Hill: I have to take that on notice.

[Supplementary Information No E2.]

Hon KATE DOUST: Is it correct that the contribution from the state government is currently capped at \$125 000?

Ms Hill: It is at the moment, yes. The program is currently under review for that reason. We recognise it was capped some time ago.

Hon LJILJANNA RAVLICH: I refer to page 231 of budget paper No 3 in relation to electricity tariffs. The minister will be aware that the small business sector, for which I am the shadow minister, is doing it very tough as a result of the global financial crisis and lack of recovery, not only in the metropolitan area but also in regional and rural Western Australia. The last thing it needs is additional cost pressures. I have to say that, although the electricity tariffs that were announced on 8 March 2010 may be in line with government policy to move electricity tariffs to cost reflective levels, there is no doubt that these tariff increases are having a negative impact on the viability of many small businesses right throughout the state. I want some feedback about the small business tariff increase of 7.5 per cent, which took effect from 1 April 2010 and now a further 10 per cent, effective from July 2010. That is a total of 17.5 per cent over a very short space of time in an industry sector that is really doing it tough. I am getting complaints almost on a daily basis from small business operators who just say that enough is enough. My question is: what support mechanisms or hardship assistance does the minister have in place to assist these small business owners who are really struggling with the challenges of these price hikes?

Hon PETER COLLIER: I take that on board. I am very aware of the pressures that small business is under. I am a product of small business; my family is still involved in small business. Again, I get to the point where we had basically been living with artificial electricity tariffs for a prolonged period and as a government made the conscious decision to move towards a more cost-reflective tariff. We are not there in all areas; we are closer in some. The small business community is suffering and I acknowledge that.

Hon LJILJANNA RAVLICH: Does your family accept your argument?

Hon PETER COLLIER: They do actually.

Hon LJILJANNA RAVLICH: That is because you are blood related.

Hon PETER COLLIER: You met my sister in Kalgoorlie. She thought you were quite nice.

Hon KEN TRAVERS: Why would she not, minister? Why should she be any different from the rest of us just because she is your sister?

Hon PETER COLLIER: I am not meaning to be flippant. I am aware of it. Again, we made what we deemed was a responsible decision. We allocated \$600 000 for development of an energy efficiency program. That is the way of the future. Energy efficiency is something that has been largely ignored by successive governments. I am not laying the blame anywhere. It is something

that needs to be captured by not just our government but the community at large and that includes the small business sector. I will be making an announcement on that towards the end of this year on where we are going. That will include, I can assure you, a number of strategies or methods by which we can assist businesses small and large to reduce their electricity usage, cognisant of the fact that prices have risen in recent years. We are also aware that a culture is permeating throughout the community that we need to give energy efficiency much more priority.

Hon LJILJANNA RAVLICH: Would you consider allowing small businesses to access the hardship assistance provisions you have identified in this budget? I refer specifically to that \$7.7 million over two years, which has been approved for the development of a more equitable tariff and concession framework to assist financially disadvantaged customers. Of course, small businesses may form a category of disadvantaged entities, if you like—they can also be customers—for the provision of efficient water heating and public and community housing. That part does not apply, but the rest of it does from the point of view that they are also customers and some will be going close to the wall and facing ruin. The provision of hardship assistance to them may make the difference between their surviving economically or having to close their operations and incur substantial losses. Would you give consideration to broadening the hardship assistance provisions to include small businesses?

[4.00 pm]

Hon PETER COLLIER: No, we will not, not at this stage. We have made a definitive decision to actually assist those within the community, those residents that are least able to pay, that are really struggling at the moment, and that funding will go directly to that cohort, that group within the community. But as I said, I like to think that we will be able to institute a number of energy efficiency methods that will assist businesses in the not-too-distant future.

Hon LJILJANNA RAVLICH: I have to say on behalf of small businesses in Western Australia, I am very disappointed.

Hon KATE DOUST: I note that there are a number of reviews currently being conducted through the Office of Energy, and I was just wondering if we could please—you can put this on notice, if you like—have a list of all reviews that are currently outstanding; the cost of each review; and a list of who is on each review panel or committee.

Ms Hill: These reviews are ones that have not yet started, so they are ones that need to be done this year, so we do not necessarily have panels or anything, but there are some that are being done, not necessarily through us. For example, it is the Economic Regulation Authority that is doing the underground power in the area that the member asked about earlier, and it does a number of reviews when asked to by the Treasurer. We are doing some legislative reviews, but we can talk —

Hon KATE DOUST: Perhaps I should change that; not just reviews, but committees. They should have used the word “committees”, perhaps.

Hon PETER COLLIER: I do not think we have any; we had the gas supply committee, but that is disbanded, that is finished. I do not know of any others.

Ms Hill: We do not have any specific committees for those; I spoke about the tariff structure. That is not a committee as such, it is just a partnership with WACOSS. It will be highly consultative, but the consultation will be from the partners out to the community, rather than through a committee.

The DEPUTY CHAIR: So there is no supplementary information that the member requires?

Hon KATE DOUST: Apparently not.

Hon LJILJANNA RAVLICH: I refer to the same page, in relation to the gas supply and emergency management review. There has been an allocation of \$1.1 million for 2010–11 and subsequently the same for 2011–12, and \$700 000 for 2012–13. Is this going to be a three-year review?

Hon KATE DOUST: You just said that that committee is finished.

Hon PETER COLLIER: Yes, that is the implementation of the recommendations. Can I just explain that with regard to the gas supply and emergency management committee? I will give members a brief bit of background with regard to this. Just after we came into office, members will be aware of the Varanus incident; we were dealing with the effects of Varanus Island. One of the things that was very prominent within industry and the committee at large was that we simply did not have sufficient contingency plans to deal with such a crisis in the future. We were very dependent on gas as a fuel supply. I instituted the gas supply and emergency management committee and we started off with about 13 members of that committee. It is very sectional, the gas industry; the upstream guys are not necessarily that enamoured of the downstream guys and vice versa, so we had to get it right. I was a bit reluctant to expand the committee, but it became evident that we did need the expertise from both sectors of the gas industry. It proved very, very productive; I have to say, everyone seemed to get on particularly well. I received the report from that committee earlier last year. It made a number of recommendations in terms of dual fuelling, in terms of supply units, in terms of having a permanent bulletin board and statement of opportunities et cetera, which were used during the Varanus Island incident. I took those recommendations to cabinet, cabinet endorsed those recommendations and subsequently provided funding for the implementation of those recommendations. The whole point being, because we have such a reliance on gas as an energy fuel and as a source, we did need to ensure that in the event of another Varanus occurring, we were better prepared. Now, that is where that money is going, and I will ask Ms Hill to perhaps comment on the direction of the funding.

Ms Hill: That funding is actually for the Office of Energy to implement these recommendations. In terms of the status of where we are at the moment, the minister will be announcing the operator for the gas bulletin board within the next few weeks. Part of that money is being used to actually develop the information requirements for the bulletin board, based on what is happening in the eastern states and then set up the IT systems that are required for that, and then look into a short-term trading market, probably a couple of years after we have had the gas bulletin board in operation, because that is a first step.

Hon LJILJANNA RAVLICH: Will all the recommendations be implemented?

Ms Hill: Some of the recommendations will require going back to industry, because industry will have to bear the cost, and as the recommendations were relatively high level, so part of the money too is, for example, the gas contingency services; the minister mentioned things like gas storage, energy facilities and so forth. We need to actually get the costs of those, which is what we are doing at the moment, and it will be out by the end of the year, back to industry for industry to say, as an insurance policy, yes we are prepared to pay for this, but they need those detailed costings to be able to make that decision.

Hon KATE DOUST: Can I just ask a follow-up of that? You say that you are going to make an announcement who will manage the gas bulletin board?

Hon PETER COLLIER: Yes, that is correct.

Hon KATE DOUST: I would have thought that would have fitted in very neatly with the role that the IMO currently plays.

Ms Hill: The gas supply and emergency management committee was absolutely adamant that that should be done through a merit selection and transparent and open process, and so that is what we are doing. It was something that they were very, very strong about.

Hon KATE DOUST: That is very interesting.

Ms Hill: The IMO will obviously put in a statement of capabilities, but there are others.

Hon KATE DOUST: So we are looking at the potential, if the IMO is going to be the preferred manager of that bulletin board, we are looking at the creation of another entity.

Ms Hill: No, we will use an existing entity, but there is more than one candidate who could potentially do that work, and those candidates have been asked to put forward their cases.

Hon LJILJANNA RAVLICH: Can I, just as a follow-on from that—is there a time line for the implementation of the recommendation that the government has agreed to go with?

Hon PETER COLLIER: No, there is not. There is no time line.

Hon LJILJANNA RAVLICH: You do not have a specified planning document which identifies the time frame by which you will achieve recommendation one, two or three, or whatever it is?

Hon PETER COLLIER: No.

Ms Hill: Because it is subject to a lot more industry consultation and, as the minister said, it is a highly polarised industry, and it would be probably somewhat premature to work out how long it will take them to agree.

Hon PETER COLLIER: I wish it were that easy, but it is not.

Hon LJILJANNA RAVLICH: But I thought you said everyone got on beautifully —

Hon PETER COLLIER: They did during the committee, but that is because they knew they were getting an outcome for me.

Hon LJILJANNA RAVLICH: That is because they were?

Hon PETER COLLIER: Nothing; it does not matter!

Hon LJILJANNA RAVLICH: They were getting a great outcome from you? Then why do you not —

Hon PETER COLLIER: No, for me!

The DEPUTY CHAIR: I do not think the word “great” was in there; it was just an outcome! While others are considering other questions, I might just pose one here. On page 585, under “Outcomes and Key Effectiveness Indicators”, there is a table and at the bottom of it is reference to the percentage of Perth metropolitan homes serviced with underground power. It is currently roughly 50.3 per cent and going up to 51.5 per cent. If you had to do the same number for regional cities—say Geraldton, Bunbury, Albany, Kalgoorlie and possibly Northam—what would be their proportion of underground power?

Ms Hill: There have not been so many of those ones done, because this ultimately comes down to the people actually agreeing to pay their share, and so there have been ones in country towns, but not as many as there have been in Perth, simply because of the rate base.

Hon PETER COLLIER: That is what I was talking about earlier in one of the other hearings; they were actually successful, and then they failed. That is one of the ones I was talking about, where the decision was eventually made not to go ahead with it, even though it was successful.

The DEPUTY CHAIR: So, if you had to have a percentage, would it be one or two per cent, or 10 or 15 per cent?

Ms Hill: I would have to take the exact percentage on notice.

The DEPUTY CHAIR: Is that easy to find out?

Ms Hill: Yes, it is just a matter of working it out. We know how many we have done; we would just need to link that back to how many houses are in each of those cities.

The DEPUTY CHAIR: Outside the metropolitan area.

[*Supplementary Information No E3.*]

The DEPUTY CHAIR: In the metropolitan area, what is the approximate cost per metre, or per 100 metres or whatever it is, of putting in underground power?

Hon PETER COLLIER: Do we have that information? It varies considerably from area to area—whether it is hilly or flat.

The DEPUTY CHAIR: It is all sand, though, in the metropolitan area!

Ms Hill: No, it is not; we wish it were! There was an area in Fremantle a couple of years ago that was costing us \$18 000-plus a house. We work generally on \$4 000 to \$6 000 per house, and a lot of it is closer to that level than it is to the higher one, but if we run into rock of various kinds, or clay up in the hills, we have considerably higher costs.

Hon LJILJANNA RAVLICH: I am wondering whether there has been any analysis done of the cost of tariff increases to the government sector itself. In other words, every time you hike up the cost of power, what is the net impact on schools, hospitals and government departments?

Hon PETER COLLIER: They will have the same increases as everyone else, so they will have 7.5 per cent and 10 per cent for this year, and the same for last year, so that will be the impact.

Hon KATE DOUST: Are they given additional funding to accommodate these increases?

Hon PETER COLLIER: No.

Hon LJILJANNA RAVLICH: So they have to cut services from elsewhere to provide the increase in cost of heating or whatever; of energy.

Hon PETER COLLIER: I cannot comment on whether or not they have to cut services, but they —

Hon LJILJANNA RAVLICH: Let me just ask you, you as minister, when you make a decision that because you have price reflectivity or cost reflectivity, you make that decision and then surely you must then consider what is the likely impact of this decision on households and people on fixed incomes, working families and the disabled, and then you must somewhere along the line think to yourself what is the impact of this on the additional cost imposts to schools, kindergartens, hospitals, the Department of Training and Workforce Development? Did you give any due consideration to the cost impact on government departments and instrumentalities?

Hon PETER COLLIER: Getting back to everything the member has mentioned, yes, I point out yet again the \$31.4 million package has gone a long way to assisting those least able to pay. In terms of government, I did not unilaterally make this decision; I took it to cabinet, it was endorsed by cabinet, and it was implemented as a result of that cabinet decision.

Hon LJILJANNA RAVLICH: Was it forced upon you by somebody? If you did not make this decision, who made this decision?

Hon PETER COLLIER: No, I am responsible for this decision; I bear the responsibility for the tariff increases. What I am saying is that I did not just go out and tell Synergy to increase tariffs by 7.5 per cent or 10 per cent; I had to take it with a cabinet submission to cabinet, and cabinet made the decision.

Hon LJILJANNA RAVLICH: But did you believe in what you were doing, or were you instructed that this should be the government policy, and you should go and prepare a cabinet minute, as the Minister for Energy, that reflected the government's policy?

Hon PETER COLLIER: I can assure the member that that is not the case. I was directly responsible for these tariff increases.

Hon LJILJANNA RAVLICH: You are directly responsible for these tariff increases?

Hon PETER COLLIER: I am; I have to take responsibility. I am the Minister for Energy; if I did not say that, it would be absolutely naïve of me to sit back and say, "No, it's the Premier's fault or

it's the Minister for Transport's fault," or whoever. I am the Minister for Energy and ultimate responsibility rests with me, but I am also responsible for the \$31.4 million hardship package and the change towards a more equitable tariff structure, which has not been done before. I am responsible for all those things. Just as much as I can to responsibility for the feed-in tariff or the 200-megawatt wind farm, I have to take responsibility for this, and as I have said, over and over today, I made this decision. I did not want to come in as Minister for Energy, I can assure the member, and —

Hon KEN TRAVERS: No, you wanted Education! We know that!

[4.15 pm]

Hon PETER COLLIER: I did not want to come in and say, "Let's hike up tariffs by 26.5 per cent this year and another 18.25 per cent next year." I did not want to do that.

Hon LJILJANNA RAVLICH: I do not do what I do not want to do, so why do you do what you do not want to do?

Hon PETER COLLIER: What I wanted to do was to come in and say, "Yes, let's put another wind farm here and let's have a look at a bit of geothermal over there and at another solar plant in the Mid West. At the same time as we are doing all the tremendous things that we are doing, let us have a great energy efficiency program throughout Western Australia that puts us at the top of the ladder in terms of energy efficiency in the state." That is what I want to do. I want to have a strategic energy initiative that provides the foresight and vision for energy for the next 20 or 30 years. At the same time, I can sit back and say, "No, let's not; let's continue down this road of not having tariff increases for another 10 years." Do you know what? We will be bailing out Verve by \$8 billion. Can I, in all conscience, have that as my legacy? Can I sit back and say that we have \$8 billion in debt, while not being even close to cost reflective tariffs? What a totally irresponsible thing to do. What we have got to do is make the difficult yet necessary decisions now, which I have done over the last two years, to ensure that we get closer to cost reflectivity. We are not there yet, but we are much, much closer. As a result of that, we have literally got hundreds of millions of dollars more for the government that we can spend on schools, hospitals and transport that we otherwise would not have had. The simple fact of the matter is that by 2019–20, based on 10 per cent increments, no more—that is what the opposition has purported—\$8 billion will be spent on community service obligations and we would not be even close to cost reflectivity. Yes —

Hon LJILJANNA RAVLICH: Minister —

Hon PETER COLLIER: To finish off, I take responsibility for tariffs. I feel they were necessary decisions but I also feel that we have taken some other necessary decisions to assist those who are least able to pay and have a much more equitable tariff structure.

Hon LJILJANNA RAVLICH: But the kiddies are coming back from their holidays in a couple of weeks time and they are all going to be cold. There will be some schools and principals in this state who will say, "Look, we can't afford to turn these heaters on." That is just a fact, especially for the independent schools that have to be accountable.

Hon PETER COLLIER: Can I respond to that? The Solar Schools program. Do you know what I did? I extended it to independent schools and Catholic schools, which you guys did not do. Let me tell the honourable member —

Hon KATE DOUST: Please, minister —

Hon PETER COLLIER: No; this is important.

Hon KATE DOUST: But do not yell, minister. Hansard can hear you.

Hon PETER COLLIER: I apologise. It is just exciting stuff.

Hon KEN TRAVERS: I understand, minister.

Hon PETER COLLIER: I know; you cop it as well.

Hon KEN TRAVERS: No; about you raising your voice.

Hon PETER COLLIER: I apologise. I just get a bit excited. What happens with the schools—I have been out to a number of schools and I will continue to go out because Western Power has this tremendous efficiency program which goes out among the schools. I went to Goollelal Primary School about six months ago. It was a great occasion. I said to all the kids, “I’m the Minister for Energy and I keep the light on et cetera.” I said, “I’ll tell you what, I want you to help me to ensure that we reduce our electricity use and become more energy efficient. Will you do that?” “Yes, Mr Collier,” they said. They all said that they would. It was a tremendous day. This happens at all the schools I go to because the younger generations have cottoned on. It is the older generation that has got no idea about energy efficiency. The next week I had about a dozen emails from parents of children at Goollelal primary thanking me very much for turning their children into little electricity Nazis. They had gone home and told their mums to turn off the lights and turn off the second fridge and do all the things that I had asked them to do.

Hon KEN TRAVERS: Turn the fridge off? They would have been popular!

Hon PETER COLLIER: I can assure Hon Ljiljanna Ravlich that we can have an impact on children. You will be surprised at just how aware the younger generation are of energy efficiency. I will do all that I possibly can to ensure that we extend that.

The DEPUTY CHAIR: Hon Kate Doust, do you have a question on this?

Hon KATE DOUST: I have two on other issues.

The DEPUTY CHAIR: Can I just finish on this issue? In budget paper No 3 at page 231 is the heading “Electricity Tariffs”. There are three dot points underneath that, one of which says —

- residential tariff increases of 7.5% effective 1 April 2010 and a further 10% effective 1 July 2010;

I presume that on 1 April 2010 you announced the 10 per cent increase coming on in July.

Hon PETER COLLIER: I did that in March.

The DEPUTY CHAIR: The question I have then is: did you, as a minister for your other portfolio—let me rephrase that. Because you had announced it then, I presume that Treasury would have then put into the assumptions behind each of the portfolio budgets that there was going to be an increase of 10 per cent in July. Would that have been correct?

Ms Hill: We do have an energy market here. A number of government agencies are in fact over the contestability threshold. They do not actually pay tariffs; they buy their electricity through bilateral contracts, which they negotiate with the retailer. Those particular agencies—as any agency is—is responsible for its budget and managing whatever increases to inputs it has. The issue is that while the tariffs went up because they were so far below cost reflectivity, it does not necessarily mean that all electricity contracts went up, because they were already cost reflective. A medium-sized primary school would be very much the size of something that could choose its own. I do not have the figures, I am sorry, about which government agency have a direct commercial contract and which do not, but many are eligible.

Hon KATE DOUST: Can we ask for that list, please?

[Supplementary Information No E4.]

The DEPUTY CHAIR: That is a list of those who have direct contracts with the energy provider.

Ms Hill: It will be Synergy and Horizon Power who have that information. We do not keep it because it is a contract between a retailer and a customer, but we can ask them for—I do not know

enough about the privacy and confidentiality conditions of the contracts—whatever information we can have.

Hon KATE DOUST: All we want is the name of the agency. We do not need to know the detail of the contract; just the name of the agency.

The DEPUTY CHAIR: Just the name of the agency.

I will continue on the line I was going. Even with those contractual arrangements, that is fine, but it seems to me that the budget for 2010–11, for each of the departments, should all have had in their budgets an account for the electricity tariff increases or, if they were not increases or they were less than those increases, whatever they were, the point is I want to ensure that there was no compromise on the services they are providing because that had to go into paying the additional electricity charge. Would I be right in that?

Ms Hill: There is no additional appropriation. Each government agency goes through its own budget process where it works out what it needs to have. In addition, the Office of Energy has for a very long time assisted government agencies to reduce their energy bills through energy efficiency. It would not have been a direct pass through in the budget because each department is responsible for managing its own input costs, whether they be labour costs going up or electricity costs or rental costs going up. They must manage their budget.

The DEPUTY CHAIR: Can I ask you another way? Before any budget is prepared, you always have a certain set of assumptions, be it wage increases, water increases or a lot of other increases. Would the electricity tariffs be part of those assumptions for the preparation of the 2010–11 budget?

Ms Hill: I am afraid that I cannot answer for other government agencies. You are right; good practice would suggest they would include any estimated or predicted increases in their budget, but each agency does its own.

Hon KEN TRAVERS: I suspect that it would change from agency to agency as to what percentage of their total budget is for power costs. For some agencies, it might be quite a high percentage of their total costs and for others it would be very low.

Hon KATE DOUST: On page 587, the second paragraph under “Income Statement” talks about the decrease in the 2009–10 estimated. It gives a bit of a line, but it talks about how there was a decrease due in part to the reallocation of funding from 2009–10 to 2010–11 for projects and a general reduction in expenses due to savings initiatives introduced by the government. What were those savings initiatives? If you do not have that today, I am happy to have it provided on notice.

Ms Williams: There were several. For the Office of Energy, there is the implementation of fleet savings, so a reduction of fleet is one of the contributing factors. Others would be in relation to a couple of the grant programs that the government chose to finish. There are a couple of savings initiatives there. Over the last couple of years there have been a number of other initiatives; for example, procurement and those sorts of things.

Hon KATE DOUST: It is good to hear about that in general terms, but I would actually like to have the specifics. It is interesting that you talked about fleet savings. What does that mean for the staff working in the department?

Ms Williams: I will take you to one specific time, which is the grant savings, if you do not want general terms. That is reflected in the budget papers on 583 where it says there is a reduction in grant savings. There are grant savings listed there. That is the impact on the Office of Energy for that. In relation to the fleet, all government agencies had the size of their fleet assessed by the Department of Treasury and Finance and they were all set targets to reduce the size of their fleet.

Hon KATE DOUST: How much was yours reduced by?

Ms Williams: We are currently under our reduction target. We were to reduce to nine vehicles and we currently have five.

Hon KATE DOUST: Do you have five vehicles for the whole of your agency?

Ms Williams: Yes, and one is on what I would call “secondment”, which is with the acting CEO. She has brought her vehicle from another agency. In reality, we have the cost of six vehicles.

Hon KATE DOUST: Do you car pool?

Ms Williams: We are a small agency. Everyone has access to those vehicles for operational purposes.

Hon KATE DOUST: I would not mind having the detail of those savings provided on notice.

[Supplementary Information No E5.]

Hon KATE DOUST: My next question is on page 584, the last dot point under “Significant Issues Impacting the Agency”. It talks about an organisational review that was implemented during 2009–10. Can you explain what the outcomes of that restructure were?

Hon PETER COLLIER: I will make a comment but I will ask Ms Hill to explain it first.

Ms Hill: It is to do with how the Office of Energy has been restructured in the last eight months or so. The Sustainable Energy Development Office, despite its name, has always been a division of the Office of Energy, but it has been very marginalised to some extent because it just dealt with renewable and energy efficiency issues. What we have decided to do is mainstream sustainable energy. We have restructured it in order to bring that in so that people who were in SEDO are now in mainstream energy policy, mainstream regulation and mainstream program delivery. It actually brings that whole sustainability focus into every level of decision making. That is the primary purpose for doing that.

Hon PETER COLLIER: That was my decision; this is what I wanted. I did not want SEDO just to be seen as hub of energy. I wanted the Office of Energy to be exactly what Anne just said—generically responsible for energy efficiency and renewable energy so that it is seen as mainstream because it is an essential component of every sector of energy. It has been a progressive step forward. I think that the people who previously were in SEDO are very happy with it.

Ms Hill: It has done a lot for staff morale, I think.

Hon KATE DOUST: As a result of this restructure, were there any redundancies?

Ms Hill: Not as a result of the restructure.

Hon KATE DOUST: I have just one last question.

The DEPUTY CHAIR: One last question because our time is almost up.

Hon KATE DOUST: Sure. I come back to my second question, which was about reviews. On page 585 the first dot point lists a range of reviews. I think they may have been the ones you referred to. I assume that by the end of this year or by mid next year each of these will have been finalised. Will each of these be conducted in-house or will they be contracted out?

Ms Hill: We will conduct them in-house but we are a small agency and we do not have on board highly specialised skills such as modelling expertise and so forth, which is pretty important in the industry, so we will be contracting out that highly specialised work. In terms of the reviews, the only one that is very, very large is the electricity network access code, which we expect to go for more than 12 months.

The DEPUTY CHAIR: Thank you very much. We have concluded the hearing —

Hon KEN TRAVERS: Deputy Chair —

The DEPUTY CHAIR: I beg your pardon, there was one more. Hon Ken Travers.

[4.30 pm]

Hon KEN TRAVERS: I just want to go back to a number of questions that have been asked. Is part of your role to provide advice to the minister on tariff increases and what the likely impacts of them are?

Ms Hill: Our role is to provide advice on energy generally to the minister.

Hon KEN TRAVERS: Which would include proposed tariff increases and their likely impacts?

Ms Hill: Yes.

Hon KEN TRAVERS: As part of that work, have you done any work on the likely impacts of different sectors of the community? For instance, what would be the total impact for local government of the recent proposed increases to tariffs?

Ms Hill: We segment customer classes in order to determine the money impact on them. In terms of taking that a step further and saying what outcome or impact it has on whether a business is viable or not, that is sophisticated analysis. It would be very difficult for us to do. We do it on segmented customer classes.

Hon KEN TRAVERS: Are you able to provide us with supplementary information on the estimated impact on the different classes that you have of the last suite of tariff increases since 2008? What impact would you expect it to have on each class?

[Supplementary Information No E6.]

Hon KATE DOUST: Picking up on that issue of tariffs, given the comments made earlier by the minister in another session that there is a high probability in his view that tariffs will not be increased by the additional 22 per cent or whatever it is that is listed in the budget papers and that would be required to attain cost reflectivity, as was recommended in your report a couple of years ago, if the minister does not proceed to increase that by 22 per cent, what is the agency's view on how much longer it will take to reach that cost reflectivity? What sort of impact will that have on how the system is managed?

Ms Hill: I believe that is probably a policy question that I should ask the minister to answer.

Hon PETER COLLIER: The determinations that will be made at the end of next year and early next year will impact upon that figure. As I said, a host of other issues will come into the equation in the interim.

Hon KATE DOUST: Has the agency started doing any modelling on the various options?

Hon PETER COLLIER: That is not based on an assumption that tariff increases next year will be a certain percentage because that has not yet been determined.

Ms Hill: We are reviewing what cost-reflective tariffs are because a number of things have changed. For example, the CPRS, which was built in originally, now needs to be adjusted. There have been changes to the renewable energy target. We are commencing further modelling of what is cost reflectivity, which will give us another set of numbers to go back to the government.

Hon KATE DOUST: Will that be part of a formal review that will be provided to the minister and tabled?

Hon PETER COLLIER: It will be provided to me but it will be up to cabinet deliberations.

Hon KEN TRAVERS: I refer to page 590. Under "Equity", you have listed "Other", which shows that last year and over each of the forward estimates you have a \$3 million deficit. Can you explain what that is?

Ms Williams: The \$3 million is what we call restricted funding that has been paid back to the Department of Treasury and Finance. Two projects were funded in the past. One was \$2.5 million for a sun farm at Kalgoorlie and the other \$500 000 was for an urban demonstration project, which was a solar project. Those projects did not get progressed but the money had come to the agency.

We are not free to use that money for other purposes. It sat in our accounts. We have since paid it back. What you are seeing there is that \$3 million having been paid back.

Hon KEN TRAVERS: Why does it repeat in each year of the forward estimates? Why would it only occur once—in the year in which you paid it back?

Ms Williams: Because of the way it is dealt with by the Department of Treasury and Finance, it was shifted into this funding arrangement called restricted funds, which is what puts it into equity. It looks that way because for all the years presented in this paper, there is that amount less for each of those years.

Hon KEN TRAVERS: It will sit there forever and a day as a deficit of \$3 million in your equity, even though you have paid the money back.

Ms Williams: I guess I will be negotiating with DTF to ask that it is not reflected in next year's budget papers. Because that was paid back in the period that impacts on these budget papers, it is reflected there as an ongoing deficit.

Hon PETER COLLIER: As Hon Ken Travers said, it would have to finish.

Ms Williams: That is right. We only pay it back once. I know for you and me, once we have paid it off, it should disappear. That is just the way it is reflected. You can be reassured that the money given to us for something that was not used for that purpose has been paid back to the consolidated fund.

Hon KEN TRAVERS: I understand that. That part is easy.

The DEPUTY CHAIR: It was only \$3 million.

Hon LJILJANNA RAVLICH: Only \$3 million! Do you know how much heating for schools that can buy?

The DEPUTY CHAIR: Sorry. I meant compared with it being \$12 million. It is not \$3 million every year; it was a \$3 million excess.

Ms Williams: It was only a one-off \$3 million.

The DEPUTY CHAIR: Thank you very much. The committee will forward any additional questions it has to you via the minister in writing in the next couple of days, together with the transcript of evidence, which includes the questions you have taken on notice. If members have any unasked questions, I ask them to submit these to the committee clerk at the close of the hearing. Responses to these questions will be requested within 10 working days of receipt of the questions. Should the agency be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. On behalf of the committee, thank you very much. Apologies from Hon Giz Watson for not being here.

Hearing adjourned at 4.36 pm