

POWER AND WATER CORPORATION

Mr CHAIRMAN: Good morning. I declare open this public hearing of the Government Owned Corporations Scrutiny Committee of the Legislative Assembly of the Northern Territory on Thursday, 7 July 2005 and extend a welcome to everybody present. I table a copy of the order of the Assembly dated 29 June 2005 which appoints a committee for the purpose of examining and reporting on the activities, forms, principles and financial management of the Power and Water Corporation, a government owned corporation under the *Government Owned Corporations Act*, with reference to the Power and Water Corporation's Statement of Corporate Intent 2005-06. The order effectively uses the current membership of the Public Accounts Committee.

I should also point out that the committee, at its meeting of 30 June 2005, agreed that the timing for public hearings shall be 9 am to 11 am Thursday, 7 July 2005, in accordance with paragraph 14 of the order of the Assembly. I also report that, at that meeting, the member for Karama was elected Deputy Chair of the committee in accordance with paragraph 4 of the order. I also advise that, as a result of a resolution of the committee, representation of the media can be present and are able to report and broadcast proceedings of this hearing.

Some procedural issues that I should bring to everyone's attention before I call for questions are: under section 19 of the order of terms of reference for this committee, questions should be put directly to the Chairman of the Board of the Power and Water Corporation with assistance from the Managing Director and other officers as required.

Although this is a public hearing, it should be noted that, under section 20 of the order of the Assembly, the chairperson and any other witnesses will advise when evidence is of a commercially sensitive nature and that such evidence can be heard *in camera*. As chairman of this committee, I will invite the chairman and witnesses to give the reasons for their request. The procedures adopted by the recently completed Estimates Committee to address questions taken on notice will also be utilised through the public hearing of this Government Owned Corporations Scrutiny Committee.

To ensure completeness, the Treasurer has already addressed questions during the Estimates Committee's public hearing on Monday, 4 July 2005, in which issue of Community Service Obligations made to the corporation by the government and dividends paid to the Treasury by the corporation were raised.

I now table the Statement of Corporate Intent of the Power and Water Corporation. The committee will now proceed to consider the activities, performance, practice and financial management of the Power and Water Corporation. I welcome from the corporation Mr Neil Philip, Chairman of the Board; Mr Kim Wood, Managing Director; Mr Andrew Macrides, Company Secretary and General Manager of Business Services.

I now call on the chairman of the board to make an opening address.

Mr PHILIP: Thank you, Mr Chairman. Good morning. I am grateful for the opportunity to address the committee and provide a brief overview of the Power and Water Corporation's operations for both the year past and the year ahead.

In the past year, the corporation has faced a number of challenges and I will touch on a few of these. Following the installation of the corporation's new billing system last August, implementation issues resulted in many customers receiving incorrect bills and/or letters of demand for payment. The corporation has worked hard to solve the problems as quickly as possible and, as a gesture of goodwill to our customers affected by these issues, the corporation announced a one-off \$50 compensation payment. On behalf of the Board of Power and Water Corporation, I would like to apologise to those of our customers who were affected by these problems.

With current gas contracts due to expire in 2009, the corporation is actively seeking new contracts for gas. Whilst the task is significant, I am optimistic about our chances of success.

The Channel Island Power Station suffered a direct lightning strike on Friday, 17 December 2004, at around 4 pm, and that blacked out over 60 000 customers in Darwin, Palmerston and Katherine. The power was restored to all customers within three hours.

In the past 12 months, some residents have received shocks after touching street lights or power poles. The Territory-wide safety audit of over 20 000 street lights and power poles was fast-tracked and, of these,

15 were found to have a voltage of 50 V or more. These were repaired immediately, and a robust system of continuous auditing of street lights and power poles is now being instigated.

I turn now to some of the achievements in 2004-05. Firstly, the financial outcomes: the nett profit after tax is forecast to be \$36m from which we expect to pay a dividend of \$18m based on this forecast. Significant upward movements in the price of diesel have had a major impact on the corporation's energy expenses during the course of the year, and this will, ultimately, flow through to the nett profit after tax. The exact outcome will not be known until the corporation closes its books at year's end. Electricity tariffs for non-contestable customers were held constant, as were water and sewerage tariffs.

The corporation has paid more than \$380m to Territory-based firms so far this year out of a total spend of almost \$489m.

Three mobile generators at a total cost of \$18.5m and a capacity of around 18 MW were installed at the Ron Goodin Power Station in Alice Springs. The first two of those will soon be transferred to the Tennant Creek Power Station where they will replace ageing, less efficient generators. A third generator will help secure the electricity supply to Alice Springs.

The development of the \$12.8m Frances Bay substation began with the upgrading of infrastructure along Wood Street. This project will provide security and reliability of power supply to the Darwin CBD.

The 20-year project to underground power to Darwin's northern suburbs continued. Boring works have been completed to 440 of 686 properties, 9 km of footpath has been laid, and electricity works are nearing completion to the first 329 properties. To date, around 80 properties have changed over to the new underground system.

Following the decision by the Tennant Creek community not to put chlorine into the water supply, Power and Water developed and implemented a risk management system for the township's water supply that does not rely on continuous chlorination as the primary barrier to contamination.

A water pipe was constructed to deliver water to storage tanks at Cox Peninsula. This \$1.7m project saw the end of the Dry Season water restrictions for residents in the area.

In 2003, the corporation committed \$6.2m to the Water Re-use in Alice project that will recycle effluent water to re-use as irrigation. Completion of the first stage of the project, which will stop dry weather overflows from the waste stabilisation ponds into Ilparpa Swamp, was extended until late 2006, while a public environment report was completed. This report is now with the Office of Environment and Heritage.

In the remote areas, new power houses were built at Nyirripi, Docker River and Daly River, to meet growth forecast and replace ageing infrastructure.

Cyclone Ingrid damaged powerlines and water services to many coastal and island communities, and services were able to be restored to those communities in a matter of days.

We held two three-day workshops in Alice Springs this year to provide appropriate training to essential service operators. Altogether, 47 mostly indigenous CSOs attended these courses.

In turning to HR, safety is paramount within the corporation. You might recall, last year at the estimates hearing, we had a recent incident – a very serious accident at Mt Bundy - our goal is to have zero harm to protect our people and customers in the community. Over the last year, staff from across the corporation took part in safety training sessions which were run by DuPont Safety Resources with the aim of enhancing the corporation's current safety performance and promoting continuous safety improvement throughout the organisation.

Recruiting of staff remains a challenge, especially in regional areas. A record 12 apprentices started with the corporation, bringing our total apprentice numbers up to 35, a number of which we can be very proud.

A new enterprise bargaining agreement was successfully negotiated and finalised earlier this year, providing a certified agreement up to August 2007.

Power and Water Corporation provides support to many community activities and events through a range of sponsorship arrangements. An annual budget is set at 0.05% of revenue, and that is allocated to sponsorships. The budget in the last year was \$262 000.

The first phase of the refurbished Ben Hammond complex was opened. These new offices and facilities provide staff with a healthier place to work after the removal of asbestos.

Turning to the future, Power and Water's 2005-06 forecast is conservative, with nett profit forecast at \$30m this financial year, \$31m in 2006-07, and \$31m in 2007-08. It is predicted that the corporation will pay dividends of \$18m for 2004-05, \$15m for 2006-07, and \$16m for 2007-08 to the Northern Territory government, based on the forecast nett profits contained in 2005-06 Statement of Corporate Intent.

The taxation payments by the corporation are expected to be \$15m for 2004-05, and \$13m annually for 2005-06 and 2007-08.

Electricity tariffs for non-contestable customers are held constant in the forecast, as are the water and sewerage tariffs.

The corporation will embark on a capital investment program of \$66m in 2005-06 and 2006-07, and \$82m in 2007-08. That is a total of \$214m. The increase in the later year is largely due to the replacement and augmentation of generating capacity at Channel Island Power Station. In order to undertake this capital investment program, the corporation will need to undertake a borrowing program. That borrowing program is expected to be \$40m in 2005-06, \$25m in 2006-07, and \$40m in 2007-08. In addition, over that same three-year period, our repairs and maintenance program will exceed \$119m.

The corporation remains committed to achieving goals set in the national renewable energy program and the greenhouse gas emission targets for the Channel Island and Ron Goodin Power Stations.

In closing, I would like to pay tribute to the hardworking and dedicated staff of the Power and Water Corporation who often work in adverse conditions to maintain and, as necessary, restore services to customers in as quick a time frame as possible.

I would also like to thank the Deputy Chairman of the Board, Dr Michael Vertigan, whose resignation from the board has been reluctantly accepted by the shareholding minister. Dr Vertigan has been a non-executive director since 2000 and his knowledge, experience, and personal qualities have been invaluable to the board. His wise counsel will be sorely missed. Dr Vertigan will attend his last board meeting of the corporation on 21 July 2005.

Thank you, Mr Chairman.

Mr CHAIRMAN: Thank you, Mr Philip. I will shortly open up to the committee for questions. The order of questions will be from the shadow minister for Power and Water, then it will be open to any committee members and Independents, and any local members who might wish to pose any questions. Could I just ask, when you are responding to questions, that you give your name for the *Hansard* record. Are there any questions?

Dr LIM: Thank you, Mr Chairman. Thank you very much, Mr Philip, for explaining the last page of your Statement of Intent. I looked at it last night, and got a little lost when I saw your total revenue and your total operations and maintenance going a little off kilter - one not rising as much and the other one going quite high. However, in your statement you did go through the figures enough for me, anyway. I am not an accountant and do not propose to go into any further detail than that, except to say that, I suppose, with ageing infrastructure your return on assets will, obviously, start to deteriorate, as you note in your report. For a lay person who is not across Power and Water, what does it cost for Power and Water to generate one kilowatt hour of electricity?

Mr PHILIP: I have a bit of an idea of the number, but I am not sure about – are you comfortable with the commerciality of disclosing that number? Perhaps if I defer to Kim Wood.

Mr K WOOD: Just to give you an example, to lay out full cost of generation in a potentially competitive environment would be disclosing information that is commercial-in-confidence. However, it would not be unreasonable, given the type of plant that we run at Darwin is on the public record and well understood, to talk about the marginal costs of generation depending on the time of day, across the mix of plant, being in the 7¢ to 8¢ range per kilowatt hour.

Dr LIM: When you say Darwin, are you talking Territory-wide on average?

Mr K WOOD: No, I am talking about the Darwin plant particularly, which is a mix of older, less efficient plant and a modern aero-derivative type engine which is in the 30% efficiency range. The efficiencies vary across the Territory, depending on the nature of the plant we run. Probably the least efficient plants would be located at Alice Springs and Tennant Creek, although there are new plants in both those locations. Older turbine engines can generate down at the 10% range and modern aero-derivatives up in the 30% range.

Dr LIM: Would it be breaching any commercial-in-confidence information if I ask you to give me a range – say, from 7¢ to 8¢ in Darwin to – what? – 12¢ to 15¢ in Alice Springs?

Mr K WOOD: The most expensive mode of generation would be in the mid-20¢, probably 22¢ to 25¢ per kilowatt hour.

Dr LIM: That will be separate from the distribution costs, wouldn't it?

Mr K WOOD: Yes.

Dr LIM: Can you give me an indication of what the distribution costs would be?

Mr K WOOD: Again, it depends on the location, but the cost components that build up our cost model are in generation, system control costs, distribution costs and retail costs. Distribution costs, again, vary. Andy, do we have a distribution cost figure with us today?

Mr MACRIDES: It varies again, depending on the network we are talking about. The most efficient network is, obviously, the Darwin/Katherine grid, and the costs can range anywhere from between, I think 1¢ and about 8¢. They are actually a published tariff and they are available on the web site of the Utilities Commission as well as on the Internet site of the corporation.

Dr LIM: Again, Central Australia would be higher again? Distribution costs we are talking about.

Mr MACRIDES: Not necessarily because, again, it depends on the size of the infrastructure. Central Australia's infrastructure is relatively small compared with the Darwin/Katherine grid.

Dr LIM: We are, obviously, talking about gas-fired, or gas-generated electricity. What would it cost if we suddenly ran out of gas and we had to go back to diesel? What would that cost?

Mr K WOOD: Diesel is typically at least five times the cost for an equivalent unit of energy of gas at this stage, although that is an approximation. It could be five to eight times.

Dr LIM: We are now paying around – what? – 14¢ per kilowatt hour? Is that what you are charging us now?

Mr K WOOD: Yes.

Dr LIM: So, if we were to be diesel generated, it would be five times 14¢ or eight times 14¢, which is up to \$1?

Mr K WOOD: It would cost us in that range to generate all of our electricity with diesel, or thereabouts.

Dr LIM: All right. If it is not commercial-in-confidence, what is the percentage of cost for your operations is paid for fuel?

Mr K WOOD: It is the largest cost we face, our gas cost. I have not got it broken down by percentages. To give you an indication of our 2003-04 numbers, we spent almost \$160m on fuel costs.

Dr LIM: Coming from Alice Springs, I am concerned about the gas supplies there and how long it is going to last. If you have to use any other alternate source of fuel, whatever that might be, have you factored in what it is going to cost?

Mr K WOOD: We are extremely confident of sourcing gas. The people of Alice Springs should not be at all concerned about unavailability of gas. There is a long gas tail in the Central Australian fields which

would take many years to be fully consumed and is more than capable of supplying Alice Springs' needs for a number of years to come.

Dr LIM: All right. With the long tail, would it be also more expensive to produce that?

Mr K WOOD: Again, we are going close to grounds to be commercial-in-confidence, but I can say we have indications from current producers that they would contemplate prices of a similar range that we are currently paying for further access to that tail.

Dr LIM: I will come back to that in a little while. I am told that the junction capacity of the Darwin/Katherine systems is about 330 MW or thereabouts. It is not on record.

Mr K WOOD: Yes. Again, the answer typically is an 'it depends' number, because the plant is regularly scheduled for maintenance and it depends whether we are using the IC plant or

Dr LIM: I was just using an average with the ...

Mr K WOOD: Yes, you are in the ballpark.

Dr LIM: I also understand that the continuous supply of adequate electricity to meet demands into the next two to three years is in the order of 44 MW of new capacity. Is that correct, and where will it come from if it is?

Mr K WOOD: We have looked at the ABS statistics to try and forecast accurately what demands are going to be over the next few years. ABS statistics do not always factor in take-up of split system airconditioning and other issues. We have currently commissioned ACIL Tasman to undertake a comprehensive demand study which should be finished in the next several months.

Dr LIM: I hope you do it in Alice Springs because they are all using split systems at the moment, in a really big way. I do not know whether it is aggressive selling or it is just that people are being told. That is the question I put to the Power and Water show stand last weekend; that there is gossip around that Power and Water has suggested that using a split system is more efficient than using gas heaters in the middle of winter in Alice Springs. I cannot understand that; you might want to look into that seriously.

Mr K WOOD: The organisation does not have a policy on recommending any systems currently. As I said, the ACIL Tasman study will give us a comprehensive review of demand across the Territory. It is more useful to us than, perhaps, relying on population growth or ABS statistics, because what drives electricity demand is not always what drives population growth.

Dr LIM: Okay. If there is a need to increase your generation capacity, will it be from just improving your new facility or new generator? What would you require?

Mr K WOOD: The Board of Power and Water is quite open to alternatives going forward. At this stage, we have two potential 30 MW-odd augmentations planned in the Darwin/Katherine area over the next five to eight years. We are conscious of the growth in demand in the Darwin/Katherine region and are putting funds aside to ensure that we can meet that demand. However, if a third party was to be involved - perhaps the gas industry or an independent power generator - we have no particular view whether we should own the generation assets or whether we would just be a purchaser of power. We are quite open to all options, I believe.

Dr LIM: The two plants to augment major power supply in Darwin/Katherine are planned; is it going to go ahead?

Mr K WOOD: No. They are in our forward estimates of capital expenditure, but those decisions will need to be taken to the board and approved.

Dr LIM: If it does not go ahead, for whatever reason, then would power supplies to the Top End be under threat for continuous supply?

Mr K WOOD: It is the role of the board to speak, on behalf of the chairman though, to ensure that we can meet our obligations as and when required. It would be surprising if the board did not source appropriate power for the Darwin/Katherine region.

Mr PHILIP: Dr Lim, if I could add to that. Certainly, in our forward program we have a 30 MW set scheduled for the 2007-08 year. As I said last year in this hearing, we are in the process of finalising a generation plant. That did come to the board at our June meeting; it will be coming back in July. What we would like to do is to lay out, in a public sense, our future capital spend. There is no question that if, as part of that plan when it comes forward, we feel a need to pull forward that capital investment into an earlier year, we will do that. There will not be a situation where we do not have the capacity to meet the demand over the forecast period of the SCI.

Dr LIM: I understand that you have this consultancy going at the moment to see what the demand is. Is there a rough plan of what is going to happen in percentage increase that is required over the next five to eight years?

Mr K WOOD: In our planning documents, Dr Lim, we have used the same growth forecast the Territory has used in all of its numbers. We believe that is a reasonable approximation, but we are validating that with an ACIL Tasman study to be much more precise if required.

Dr LIM: Well, I draw your attention to your Statement of Corporate Intent on pages 8 and 9, Economic Outlook in the Northern Territory, you quote the current NT Treasury forecast for growth of 5.8% for 2004-05. Then, on the next page, your growth in demand projections certainly do not match Treasury's forecast. How do I marry those figures up in my head?

Mr K WOOD: Electricity demand is not always driven by the issues that drive the economic output in the Territory. Some of that Territory growth is driven by offshore activity with the oil and gas industry and that will not map into electricity demand.

Dr LIM: When you talked about growth factor just now, you are talking about Power and Water supply demand factor, you are not talking about Territory growth factor?

Mr K WOOD: No, that is right. It is not our role to comment on the growth of the Territory, Dr Lim. It is purely just to ensure that we understand what demand is likely to be and we have plant available to meet that demand.

Dr LIM: I read through the transcript of your interview on the ABC a couple of days ago. You mentioned that you are in close negotiations for increased gas supply. Assuming there is no other supply at the moment - and I will come back to the argument later on - what pressure will that be on the gas supplies from Amadeus Basin?

Mr PHILIP: Dr Lim, there will be pressure on the Central Australian suppliers; but not only on us. There will be pressure on the producers down there because they face the possibility of having gas stranded and not being able to sell it if gas comes onshore or into the Territory from another source. The pressure is twofold. It is a big task. The task we have is to not only have security of supply in terms of an energy source, but to make sure that we do the best deal possible for the Northern Territory. That means getting the best price possible. That is one of our two objectives.

The other objective is to lay a platform to see if we can get additional gas to come in, and provide the framework for additional gas coming in to, I guess, promote downstream gas manufacture. That is not really the role of Power and Water, but we see it sitting squarely within our objective, subject to security of supply of getting the very best deal possible. Just to finish on it, we have been negotiating intensely with three producers in the last year. I guess if you wanted to solve the security of supply problem, we feel that we could do that almost immediately. However, we are not prepared to do that at a cost that is unfair.

Dr LIM: I was not going to get to that point until a bit later on. You and I are both businessmen. I have something to sell; you want to buy. You have another supplier at the moment. That supplier's contract with you runs out in four years time. With what I have, I am not going to come to you now to offer what I can supply you in four years time. I am going to wait until your back is right against the wall before I would offer. That is what business negotiations are like. Whoever you are talking to at the moment, that is fine, and I wish you well. However, I am sure that those businessmen you are talking to would also know the same scenario. They will say the Northern Territory is going to face gas shortage in terms of contract price in four years time. 'We will wait until you are backed right against a wall, where you have nowhere to go and then there will be four suppliers talking to you and they will be playing poker with you'. Then it is how much are you going to pay to get the gas from us?' He might have a 1¢ or 2¢ margin against me and we will play poker. But the price, the way I see it, is going to go up. How can you assure Territorians that it is not?

Mr PHILIP: You are a very astute businessman, Dr Lim.

Dr LIM: Well, no, we have been in business a long time.

Mr PHILIP: In, I guess, the negotiating stance of the producers, you are quite right; time is their friend and our enemy. However, you do need to recall that what we are talking about is a gas contract in excess of probably \$1.5bn over 20 years, and that is a prize well worth fighting for if you are a gas producer. There is only one Power and Water Corporation in the Northern Territory. There is only one current purchaser of gas. Surprisingly enough, the producers do not all get along very well. There is no doubt that they have played the time game beautifully but, as the time goes by, we have come to the point now where we have offers on the table to buy gas, and we want a better offer - it is that simple. We are going to fight, scratch and scabble to make sure we get the best offer because, at the end of the day, what we want to see is an environment for gas purchasing here that is at least as competitive as southern capital cities. That is no easy task, given the size of our market and just the sheer lack of volume in foundation customers for gas. Rest assured that we are meeting the producers head on and the pressure will mount on those fellows, quite significantly, as they see the opportunity to sell \$1.5bn-plus of gas, possibly recede.

The other point I make is that we already have a gas pipeline coming into Darwin Harbour. In the people we are talking to and negotiating with, that is a subject that has not gone away either. People ought not to think that our only possible source of gas is the Woodside project that appears to have fallen over, or Santos, or the Central Australian producers.

Dr LIM: The pipeline coming to Darwin Harbour - are you talking about the Bayu-Undan?

Mr PHILIP: Yes, I am.

Dr LIM: I understand that all the gas produced from that is now on-sold to Japan and we are not going to see one molecule of it coming to the Territory. How are you going to leverage on that? I do not blame Power and Water; please, do not take me wrong. You are in a very difficult situation and it is the Northern Territory government that failed to use its leverage. Four years ago it failed to use its leverage. When they wanted to bring gas into the Territory, they did nothing. They did not say: 'Hey, you want to use my land? Give me something'. It just folded over, let them do what they wanted. Territorians got walked over and now we are suffering the consequences of that ...

Mr CHAIRMAN: That is your perception, Dr Lim.

Dr LIM: ... and that is why we are under pressure. I am sure that is the case and that is what is causing the problem. You said that quite freely last year at the GOC estimates we had. That is my concern: that Territorians have been walked over because this government failed to leverage to get gas supplies into the Territory.

Mr CHAIRMAN: Is that a question that you are asking Mr Philip to respond to, or are you making a statement?

Dr LIM: I am making statement and I am asking Mr Philip ...

Mr CHAIRMAN: Well, can you finish the question?

Dr LIM: Let me finish. I am asking Mr Philip to confirm if I am correct in my assumptions.

Mr PHILIP: Dr Lim, the history of the Wickham Point project is something that I am not intimately familiar with, but it does have a long history. I suggest that the history probably spans more than the current government. In terms of the Bayu-Undan project being a potential source of gas for the Northern Territory, the good news for us is that we understand that their gas reserves position has improved. They are drilling a well called Caldida starting in July. They will be drilling a well immediately after that called Firebird. We expect and hope that their reserve gas position will improve significantly, and that there will be an opportunity for us to move forward in a partnership with ConocoPhillips. That would be the basis on which we would put the proposition to them; that this is a proper opportunity for a partnership for you to meet the Territory's gas needs and for us to work together. That is still very much a live opportunity.

In some ways it was a mixed blessing with the Blacktip project and the Alcan decision made last week. The mixed blessing is this: there was no gas available for Power and Water out of the Blacktip project; it had all been sold to Alcan. It was a bit of history repeating itself. Perhaps the silver lining in that cloud is

that if that gas is to be monetised, it might need to come directly to Darwin in a gas pipeline. I do not see that as a lost opportunity either. Certainly, Woodside will now be focused very hard on seeing how they can monetise that gas and bring it directly into Darwin. In addition, the PNG people who were talking to us some three years ago have now re-emerged, and they will be in town again next week to have a bit of chat to us about PNG gas.

Security of supply: we will secure gas. Our job is to get it at a price that saves taxpayers a lot of money and does not transfer an inordinate profit from our side of the table to the producer's side of the table. That is our job.

Dr LIM: I am glad to hear those alternate sources are there in the offing. With the current contracts with Amadeus Basin gas, which run out in 2009, which is less than four years away, are you confident that you will secure gas supplies at a reasonable rate, if not commensurate with what we are paying now, before 2009?

Mr PHILIP: Yes, I am.

Dr LIM: And electricity prices will then stay the same or ...

Mr PHILIP: Our current gas prices are probably some 30% higher than the next capital city gas price, so we have a high gas price. If we were to secure a like price to capital cities, it could possibly lead to a reduction in electricity prices. That is a decision for the government, not for us.

Dr LIM: But you would still need government subsidy to retain the power prices?

Mr PHILIP: Well, the government can do it two ways: they could either pass that saving on straight through to the consumer by lowering electricity prices or, alternatively, provide us with an additional CSO if they ...

Dr LIM: It is going to cost you more to continue to generate electricity? It is not going to be as cheap as today's rate?

Mr PHILIP: We hope it will be. In terms of gas supply, gas cost, we certainly hope it will be.

Dr LIM: Okay. Regarding the maritime boundaries that have been agreed upon now, I suppose with international negotiations going on at the moment, the time line is really beyond anyone's control. When you say you are talking to all these people, how realistic is it? When can you achieve secure supply before our current contract runs out?

Mr PHILIP: I would hope, Dr Lim, that when we sit down this time next year, if I am still sitting in this chair, that I am able to say to you that we have secured a supply to meet our needs from 2009 onwards. You are right about the Sunrise field; the time frame will not be there to meet our requirements. However, it might affect how long the term of our gas purchase arrangement is, if we think that, as more gas comes into the Territory, more competition, lower prices. That might just affect how we structure the term of the deal.

Dr LIM: All right. With regards to Alcan looking to Papua New Guinea, again, what is the time frame? While they might be here to talk deals now, are we able to satisfy the Territory's needs by 2009 or 2010?

Mr PHILIP: I do not know the answer to that yet, Dr Lim. The meeting was only scheduled yesterday for next Wednesday, so we will have that meeting and see what they ... That was a big announcement in terms of the eastern seaboard, and it caught a few people by surprise. I suspect we will get a good briefing next week.

Dr LIM: All right. In terms of that, if Alcan is the prime purchaser of that gas, will you be buying through Alcan, or will you buy it direct from PNG?

Mr PHILIP: I suspect, without knowing, that it would be more likely to be buying direct from the producers, not through Alcan. Certainly, in the negotiating arrangements between the Woodside Joint Venture and Alcan for the Blacktip gas, we had no participation in that whatsoever. It was made very clear to us that, until the deal went to financial close with Alcan, that there was not a lot that could be finalised. They certainly could not finalise a deal with us until they had financial close with Alcan.

Dr LIM: Will Power and Water contribute towards this pipeline from Papua New Guinea into Darwin?

Mr PHILIP: I doubt that. Certainly, in looking at the various production arrangements, we have an open mind about contributing some capital to those projects if there is a good return on that capital and it makes good sense for our shareholder and for the taxpayers of the Northern Territory. What we are not prepared to do is to be seen as a milch cow for a producer. I would doubt that we would be contributing to a pipeline from PNG.

Dr LIM: It is not clear in my head, I suppose. While this is early talking stages with PNG, we have to get the project physically up, after lots of planning and all that. I am trying to look at the time frame, and four years is not a long way away. Obviously, you can renegotiate a short-term contract with the Amadeus Basin supplies until the PNG gas comes onshore. I am interested to hear how you are going to play this jigsaw puzzle to try and fit it all in and ensure that gas supply continues unabated into the Northern Territory, and that our electricity supplies are going to be reasonably secure.

Mr PHILIP: One of the propositions, Dr Lim, could be an example like this: that the Central Australian producers, which also include an offshore producer, get together and provide us with a blended supply, and they say to us: 'You do not worry particularly where the gas is coming from. We will produce as much as we can out of Central Australia and, if that is not enough to meet the total demand, we will find you the gas from somewhere else'. One of those parties is a participant in the LNG plant, for example, so there are many possible solutions to the problem. There will be a solution found, I can assure you.

Dr LIM: At what cost? That is my problem. We can buy gas from anywhere in the world ...

Mr PHILIP: That is true.

Dr LIM: You can buy Bayu-Undan gas in Japan, and bring it back, if they had some to sell. You can bring that Bayu-Undan gas into Darwin, put it on a boat, get it all the way to Japan, go to Japan and say: 'I am going to pay you 10 times what you were buying it for', and then bring it all the way back. We can buy gas from anywhere in the world - at what price? At the moment, I am still feeling very uncomfortable that the price we are going to pay is not at ransom prices. That is my concern.

Mr PHILIP: You are very perceptive, Dr Lim. I have lost count of the number of producers I have met who have said gas is \$7 a gigajoule in the US, therefore, you ought to think about how expensive gas is and start thinking about paying a bit more for the gas, because that is how much it costs. The other argument you get is: 'Look, you are getting a really good price for your gas, but it is at Port Keats'. I say: 'No, we are in Darwin and 75% of our gas is consumed in Darwin; tell me about a good price in Darwin'.

We are approaching it methodically. We will get the best price possible and we hope it sees a reduction in gas prices, not an increase in gas prices. We certainly believe that we will meet the security of supply, people will not run out of gas. We are negotiating very hard.

Dr LIM: You might consider this next question a little unfair. What price for gas and, ultimately, the price of electricity for Territorians, do you believe you will be happy with?

Mr PHILIP: I do not believe I can put a number on it, no. Our gas objective is to get our prices as close as possible to a blended capital city price that is payable in the southern capitals. Those prices are all published. That is our objective, and it has to be our objective. We do not want to put the Territory at a competitive disadvantage to the southern capitals in our development and growth going forward, but we must remember that this is a very small market. In terms of the gas projects that have been mooted, historically, Power and Water's demand has not been enough to drive the development of a project. That is why you had LNG from Bayu-Undan and Alcan with Blacktip. The hurdles are large.

Dr LIM: While our market might be small, energy is what is going to drive the growth in the Territory, and the cheaper the energy, the better the growth in the Territory. Small jurisdictions need that as the catalyst for growth. Again, I come to the point: this government lost its leverage when the Bayu-Undan gas was coming to the Territory. I recall a radio interview - whether it was with Mr Wood, I am not too sure now - saying you were within a couple of weeks of closure of a secure gas supply beyond 2009.

Mr K WOOD: We are within weeks of receiving a firm offer from a producer. I also went on to say in the interview that is fine, but we are looking for the best outcome for Territorians and we may or may not be interested in closing on that offer. There is certainly more work to do. We are dealing with a number of producers, as the chairman said, and we are absolutely committed to producing the best outcome for Territorians. The point of that statement was to indicate that the sky is not falling in; that there are people who do wish to sell us gas.

Dr LIM: I will go back to my earlier point that, if I were a supplier, I would also be playing hard ball and really pushing hard.

Mr K WOOD: And they do. If this was a monopoly situation with only one potential supplier, we would be in a more difficult position than we are. However, there are multiple producers vying for our business, and our business is not a small piece of business over the next 20 years.

Dr LIM: Yes. Am I also correct in saying that I also heard that Power and Water is doing some drilling down at Amadeus Basin to look for other supplies?

Mr PHILIP: No, that is not correct. Part of the original arrangement in 1985 for the gas in the Amadeus Basin was to - we drilled a number of wells. We drilled 11 over a period of time and that was part of the original financial arrangement. That program has now finished. The producers, as I understand it, both Santos and Magellan, are drilling further wells in the Mereenie Basin looking for further gas, and other acreage has been taken up in Central Australia.

Dr LIM: Would that be the preferred option: that you continue to source your supplies from down there for the foreseeable future - past 2009, that is?

Mr PHILIP: If the price is right and the volume is there, it probably would be the preferred option. Ultimately, it makes sense for Alice Springs to be supplied out of Central Australia, but not at any cost. The infrastructure is there, the pipeline is there. The pipeline financial arrangements expire in 2011, so there is infrastructure there. It really comes down to what the best price is for all Territorians, not necessarily just people in either Alice Springs or Tennant Creek. It could be that the gas flows the other way, from Darwin down there.

Dr LIM: From Darwin down there. Well, that is what the pipeline was built for in the first place - for two-way traffic in the future. We always knew that was likely to happen, so that is good. We talked about your fallback position. Can you elaborate on what strategies you have to drive down prices for power in the Territory?

Mr PHILIP: For power or for energy?

Dr LIM: Let us use energy. I suppose Territorians need to understand that there is quite a significant difference between energy and power prices, because power prices are what you pay every quarter to Power and Water. If you can talk about both, I would prefer that.

Mr PHILIP: I will speak to some things, if I could, and then, on the operational side, Kim Wood could address those. The primary goal, from where I sit, is to drive the cost of our energy down. Coupled with that - and Mr Wood touched on it before - is the introduction of more efficient generating machines to give better value for the gas that we pay for and then, generally, operational efficiencies across the organisation. Kim Wood is in a better place to answer that regarding the operation.

Mr K WOOD: As the chairman said, first and foremost in generation, the primary driver of generation costs is fuel and, therefore, efficient plant is what we are looking at. We have replaced plant in Alice Springs, or added to plant in Alice Spring - two Taurus and a Titan - and have done recent work over the last 12 to 18 months ensuring the reliability of the CAT sets in Tennant Creek, and using those gaslight sets wherever possible. We have had continued work done on Set 70 LM6000, the geo-derivative set here in Darwin and, over the next five to seven years, expect to add significant new efficient plant in the Darwin/Katherine region. Set efficiency is the primary driver of fuel cost or fuel usage, and we are certainly embarking on that.

Also, we are spending capital at a higher rate than we have in the last few years. This year just finishing we expect to spend close to \$65m. We spent \$60m on capital the year before and we will do another \$65m, we think, in this current year, all going well. That high rate of capital spend - some of it is on generation assets, some of it is on our distribution network and other parts of the business - will lead to lower operation costs in the future, if we get this right. That is certainly the intent. We hope to drive down our annual operational maintenance cost by investing in plant over the next several years.

Further, we are certainly committed to ensuring we are a more efficient organisation. I believe Territorians want that, and our stakeholders are demanding that of us. We are looking at systems, at the way we work, and at where we are located, to attempt to drive down those operational costs that we face - and our operational costs are quite large. What we are not looking at doing is throwing a lot of people

out of work and going through a toe-cutting campaign. There are many ways we spend money that do not relate to people that could make this organisation more efficient. We are committed to ensuring that, by the time we meet next year, we are a more efficient organisation that we are today.

Dr LIM: Still staying on the cost of power in the future, why did the Utilities Commission reduce the regulated asset value of the electricity network?

Mr MACRIDES: The network is a regulated network and the Utilities Commission is responsible for price setting in that network. The Utilities Commission sets prices for a given period. The price for that network is due for review, and he has just made a determination for prices for the network for the next four years. The Utilities Commission, like most regulators, takes the concept of the building-block approach to setting pricing, and one of the key components of the building-block approach is a return on the capital that you invest. In looking at that, he looks at the asset value; that is, where you get your return on capital. He looked at the asset value and made a determination that the asset values were higher than he thought they could be, or that we could demonstrate they should be and, as a result of that, the asset value has come down, which means that the return of capital has come down, which then flows through to lower prices for the network tariffs.

Dr LIM: Is that because he knows that the infrastructure is really ageing and needs a lot more money spent to upgrade and, therefore, that compounds the problem of power prices because the cost of maintaining the infrastructure is going up as well?

Mr MACRIDES: It really did not have much to do with the quality of the infrastructure; it had more to do with the organisation's capacity to provide him with comfort over the actual valuation of the infrastructure itself. Remember, regulators like to strip out what they consider to be gold plating in a network, so they do not actually allow you to get a return on what they think is an excessive value for that network itself.

Dr LIM: So what happened, initially, to have the assets valued at higher than what the commissioner thought?

Mr MACRIDES: Part of the problem was that, in moving from an authority to a corporation, we set ourselves up on a line-of-business basis, and some of the assets were held in the generation line of business, which really should have been network assets. In transferring those out of the generation business into the network business, there was some confusion over which assets should go and the actual valuation of those assets. The only way we can actually overcome that problem is to do a 100% asset stocktake and valuation, which we are committed to do over the next two years.

Dr LIM: That has nothing to do with lack of investment in the electricity network at all?

Mr MACRIDES: No. In fact, our investment in our network has increased over the last several years.

Dr LIM: Okay. How will the devaluation, then, impact on the network tariff cost?

Mr MACRIDES: The impact it has is that the network tariffs are reduced. On average, the reduction is about 0.35¢ a kilowatt hour. Bear in mind that this tariff increase only really affects our contestable customer base because, obviously, the franchise customer base is subsidised heavily by government already by the CSO payment. The nett impact of all of this on the corporation's financial position is about \$1.2m a year. Therefore, we are not talking about significant variations in either price or overall impact on our financial performance.

Dr LIM: I put this to you then: the Utilities Commission, in the commission analysis for 2005-06 Network Excess Tariffs, said, and I quote:

The commission also notes Power and Water's intention to review its tariff structures during 2005-06 and to seek approval from the commission prior to implementing any changes in future regulatory years. As previously advised, the commission will only approve any changes to the structure of Power and Water's network access tariffs once revised pricing principles and methods statements is approved.

That worries me because it signals that, maybe, there are some tariff changes across the board this financial year. Am I right in making that assumption based on the commission's statement?

Mr K WOOD: Dr Lim, we have no plans currently before the board or before government to change pricing. Any utility should be looking at its pricing and the economics of its business, and be preparing plans and dreaming dreams as to what could be. We have no request for pricing, either before the Power and Water Board or the government currently.

Dr LIM: For both business as well as domestic consumers?

Mr K WOOD: Pricing is a matter for government for domestic customers, but we negotiate with commercial or contestable customers, customer by customer, as their contracts expire.

Dr LIM: Let us talk about a multinational food chain in Darwin, Alice Springs, whatever. If their price for power goes up, I, the shopper, will have to pay in my goods from that multinational food chain.

Mr K WOOD: Yes.

Dr LIM: So prices will impact on my hip pocket.

Mr K WOOD: What we are planning to do within the next several months is to provide contestable customers with a fully unbundled price. We plan to provide complete transparency to customers, and we will end up, I am sure, as a result of that, negotiating generation price, network prices, system control price, distribution price and retail price.

We know that the issue of electricity pricing causes lots of tension for the national food chains and others, and this may put us, potentially, at some competitive risk should new competitors emerge to enter the market. However, in the interests of providing complete transparency, we have offered to unbundle our price in full, in an attempt to demonstrate to our customers what the building blocks are. That will move some of the tension we see, from time to time, as we negotiate currently.

Mr MACRIDES: Just to further that Dr Lim, what the Utilities Commission is referring to there is, again, the regulated tariff for the network. The way that the Utilities Commission determines network tariffs is to actually set an upper limit. He says that, over the four-year period, you are allowed to get X number of dollars in revenue.

The corporation then has to turn that into a tariff schedule, which he then approves. That tariff schedule has been approved by him. It is published on his web site and on our web site. That tariff schedule shows, as a result of him lowering the amount of revenue we are allowed to receive on that network, a reduction in tariffs to different customers.

Dr LIM: It still does not comfort me as a shopper that, potentially, my food basket price will go up because there is no guarantee that supplies of power to the food chains will stay reasonably at this level.

Mr K WOOD: I cannot give any guarantees on pricing. What I can say is that we negotiate case by case with customers based on their time of use and load type. The margins we make on our contestable business are not large. We are, in the long term, a low risk business, which means returns are lower than you would expect in shorter term, high risk businesses, so we are not making gouging profits in this marketplace. Going forward, the transparency we provide to customers will, I believe, ensure that customers at least understand the building-block price and what our costs are and what we are passing through. I am not sure we can offer the magic bullet of fabulously cheap prices, at this stage, without consummating our gas deal going forward. We do recognise the tension; we are working to ensure customers at least understand what the price components are.

Dr LIM: Okay. With electricity prices, because it is going to be applied to commercial consumers, passed on through prices to the general consumers, does that include current outside network users or anything like that?

Mr K WOOD: I am not sure I understand the question, Dr Lim.

Dr LIM: Are there any consumers outside Power and Water's network at the moment? Nobody else is supplying power?

Mr K WOOD: In this marketplace, there are a number of independent power operators that we purchase power from.

Dr LIM: Yes.

Mr K WOOD: The ConocoPhillips plant, for instance - going forward, Wickham Point will be a self-generating plant. There are, I am certain, a number of mines and others that generate their own power in the Territory.

Dr LIM: Yes. The price will not impact them?

Mr K WOOD: No.

Dr LIM: If you cannot give me a certainty on the power price for commercial use, how does it match up with the statement made on page 12 of your Statement of Corporate Intent, which said:

The Northern Territory government committed itself to a price freeze on the gazetted electricity tariff for its current term of office.

Mr K WOOD: That is certainly for our non-contestable customers, or what we call franchise customers. My understanding is that the government did commit to no price increase for those customers, and there has not been a price increase.

Dr LIM: Thank you for saying that, because I put the very same question to the shareholder minister, and he refused to give me a guarantee that power prices would not go up whereas, in here, it is quite clear that the Northern Territory government is going to, itself, put a price freeze on gazetted electricity tariff for its current term of office. I am hearing contradiction here. It is a shame that the minister is not prepared to say that, and he is the one who provides the CSO to Power and Water to maintain a cap on power prices.

Mr K WOOD: Dr Lim, that material was prepared before the election campaign, before any campaign promises were made. Certainly, our understanding when we prepared that material on our advice from government was that, at that time, there had been no commitment to maintain power prices during their first term of government.

Mr PHILIP: To add to that, obviously, the important term there is 'current term of office'. In that statement on page 12, that was a reference to the previous term of office of the government. At the time it was tabled, it was the previous government. Therefore, it is not a statement by us that any promises have been made by us or the minister to freeze prices in this term of government. That is a promise of this term of government.

Dr LIM: Okay. I accept your explanation, except the Statement of Corporate Intent 2005-06 – this is, obviously, a statement and you have CSOs, on page 12 again, going through to 2007-08. So, you are talking about the next three years in this Statement of Corporate Intent. Then, you say last term commitment. It is one or the other, it cannot be both. You say: 'Okay, this was last term's promise, therefore, this term is all open slather, therefore, there is no commitment that power prices will stay down these next four years'.

Mr PHILIP: It is not all the same. It is very clear that there is no possibility for Power and Water Corporation to know when the next election is going to be called. At the time this document was tabled in May - I think it was -- the reference to the current term of office was 100% correct. The situation in terms of pricing has not changed one jot since then; that is, in the last term of office. Now, in the current term of office, pricing decisions are a matter for the shareholder, not for Power and Water Corporation. Just to finish, there is no other way of expressing it to meet the uncertainty of when an election might be called.

Mr CHAIRMAN: Dr Lim, I propose, at 10.15 am, to open up the floor to the rest of the committee members. I have given you the lion's share - well over 50% of time.

Dr LIM: I have a whole heap of other questions to ask.

Mr CHAIRMAN: And other members have other questions as well. In all fairness, I am foreshadowing that, at 10.15 am, I will open it up to other members to ask questions.

Dr LIM: I am trying to quickly find the section in the Statement of Corporate Intent where you actually show that there was no price increases over the next four years. I recall seeing it, but I cannot find it here right now. All right. So, there is no commitment now for power prices to stay the same for the next four years? All right, so that is fine.

Hurrying on a little, to the computer fiasco. I again refer to Mr Wood's interview on the radio and the Auditor-General's evidence here in the estimates. He was satisfied with the software, but was very critical about what information was put into the computer. I suppose we all talk about garbage in, garbage out, and that is what happened. Is it now, essentially, resolved, as Kim said, and we will now receive correct charges from now on?

Mr K WOOD: We have recently had Ernst & Young, our internal auditors, complete an independent review of the billing system, and they have given the software, and the implementation and installation of that software, good support.

There is no question that when we loaded up the information out of the old billing system - which had data in it up to 20 years old - some errors crept in as we transferred across to the new system. That is not unusual; I have been through three billing system implementations myself, and I have seen it before. We took every measure we could foresee, at the time, to minimise those errors. We ran what is called automatic scripts over that data to try and strip out obvious errors. However, there was little doubt - and there is little doubt with any billing system implementation - that for the first billing run or two some of those data errors will emerge and customers will complain and seek to have them corrected.

The failure here of Power and Water was that it took us longer to clean up the data and to get it done than we would have liked. The reasons for that were: (1) we are a long way away from the southern states and IT expertise; (2) it was the first major computer implementation up here for many years, anywhere in government; and (3) it should be noted that there was a very high-profile failure of Sydney Water's billing system, the PWC managed implementation, and many others in this country. Our system was not a failure; it had some teething troubles that have taken longer than we would have like. It has been embarrassing and it has caused customers some disruption, and I regret that. If we had our time over again, we would try to do it differently.

We do need to remember, though, that billing systems are customer facing systems; we generate a bill for our customers multiple times a year. The possibility of data errors, given that humans enter that data, is not absolutely remote; it can happen from time to time.

Dr LIM: I would expect - take myself as a consumer. I just pay my bills every three months over the telephone, and that is the end of that. I do not look at it and it does not register whether it is right, wrong or indifferent; I assume that Power and Water is correct. I do not read my own meter, so I do not know.

Had I paid more, how do I get any compensation or refund on the extra that I paid? I know there is a \$50 rebate that you provided - actually I did not know it was available, so I never applied for it myself.

Mr K WOOD: You will see in the next several billing runs a flyer in your bill - and more than one - that makes the offer to you and provides a mechanism to claim that should you want to.

Dr LIM: That is right. I would not want to take it now. You mentioned that 57 customers have actually asked for the rebate at \$50 which makes up \$2000 or thereabouts. Had your 70 000 customers all asked for a rebate, that is going to cost you over \$3m. If there was a major error, and it could have been on my bill as well, why not just put a \$50 credit into my account across the board, and that would have been a fair thing to all Territorians.

Mr K WOOD: We estimated, during the analysis process of what went wrong and when we were looking at it, that some 2000 customers saw an error. Not all of the 67 000 customers actually had a billing error. Some of the errors were minor in nature and were corrected quickly.

As part of the annual audit this year, the Auditor-General has asked to be completely satisfied that people have not been charged more than they should have been, and whether we can reconcile our revenues right back to (inaudible) billing statements. We have been asked to provide him comfort, and should we not do that, he will make comment of that in his annual audit report.

Dr LIM: But those 2000 customers who were identified as having errors should be compensated with a \$50 rebate as a credit into their account.

Mr K WOOD: Well, what we have offered is the opportunity for any of those aggrieved customers or others that we have not identified to claim that; we have put together material to make it as simple as possible to make that claim. I can say, as of today, of the 57-odd requests for rebate we have received, only one has been knocked back as being an inappropriate claim.

Dr LIM: Again, it is hard for me, as a client, to work out whether I was aggrieved or not. I just paid the bill because, I suppose, I can afford it. But there are lots of other people who cannot and did not have the expertise or the wherewithal to fight for their claim.

Mr K WOOD: I understand that and we are in strong agreement here. There will not be a fight to the death to resist paying \$50 to customers where we think it is a reasonable thing to do.

Dr LIM: Let me come to the underground of power at Nightcliff. You reported in the Statement of Corporate Intent that the government puts in \$3m and Power and Water puts in \$1m as capital investment. In your statement, Mr Philip, you did tell us a little about what is happening there. What percentage of the project has been completed?

Mr PHILIP: Dr Lim, could I refer that question to Kim Wood?

Mr K WOOD: I have a good deal of information here, Dr Lim. I am just looking for a percentage number, if I could give you that.

Dr LIM: Or do you want to give me the whole tabled paper because it would be easier; I can read it at my leisure. At least give me the percentage figure?

Mr K WOOD: I do not have the percentage in front of me, but I am happy to table information.

Dr LIM: Are you able to give me the percentage at an appropriate time?

Mr K WOOD: Yes, I would like to take that on notice, thank you.

Question on Notice

Mr CHAIRMAN: Would you like to restate that question please, member for Greatorex?

Dr LIM: At what stage is the undergrounding of power in Nightcliff at, and what percentage of the project has been completed?

Mr CHAIRMAN: Mr Philip, are you prepared to take that question on notice?

Mr PHILIP: Yes, I am, Mr Chairman.

Mr CHAIRMAN: For the record, I will allocate that question No 10.1.

Dr LIM: What has it cost so far?

Mr K WOOD: We have been spending at a rate of combined \$4m a year. Again, I am looking for a total cost per lot and, again, I would like to take that question on notice because there was an undergrounding study done prior to this and I would like to give you a comprehensive answer, Dr Lim. So, I am going to have to take that on notice.

Question on Notice

Dr LIM: The question on notice is what has the undergrounding of power in Nightcliff project cost so far? How much has the project cost above the initial estimates?

Mr CHAIRMAN: Mr Philip, are you prepared to take that question on notice?

Mr PHILIP: Yes, Mr Chairman.

Mr CHAIRMAN: I will allocate that question No 10.2.

Dr LIM: How much has the project cost above initial estimates?

Mr K WOOD: The project cost increases, at this stage, above the original 2001 estimates, looks to be approximately 20% increase per lot, based on general increases in cable and labour that we are seeing across the Territory and the country.

Dr LIM: I suppose, based on that figure, you would have projected what the whole project is going to cost between now and completion?

Mr K WOOD: I do not have with me today a projected cost for the whole project. It would be very hard to project cost 20 years out. However, what we have agreed to do between ourselves and Treasury is to continue at the current rate of spending combined total approximately \$4m a year between government and Power and Water for the foreseeable future.

Dr LIM: That is fine. So, it is a 20% increase per lot that costing has gone up?

Mr K WOOD: At this point in time, although that will, no doubt, increase over time.

Dr LIM: Sticking to undergrounding power in Alice Springs: the government made a pre-election promise to underground power in Alice Springs. Have you factored the project into your projections of capital investments and operational costs in your forecasts?

Mr K WOOD: Not this time. It was a recent election promise and we are still waiting on some details from government.

Dr LIM: So, at this stage, you have no plans when you will commence undergrounding power in Alice Springs?

Mr K WOOD: We have previously had extensive consultations with the East Side Residents Association, and had agreed to contribute some \$250 000 a year to undergrounding power, which is displacing some of our maintenance money into undergrounding. We anticipate continuing that and expect to receive further information from the government as to what their wishes are.

Dr LIM: I recall asking for a costing to be done for the Old East Side. Are you able to provide the figure of what it would cost to underground power on the Old East Side?

Mr K WOOD: I am able to provide some estimates of the cost of undergrounding power in both Alice Springs and the Old East Side. Cost implications are approximately \$34.17m to underground the remaining parts of Alice Springs not yet underground. To do East Side only would be \$3.72m. These numbers are probably six to nine months old now – sorry, November 2003. Those numbers may not be entirely accurate now, given the movement in labour and material costs; but they are indicative.

Dr LIM: Sure, okay. So, you expect the government to have a CSO to contribute, or would it be through tax credits, decreased dividends or purchasing larger equity in Power and Water?

Mr K WOOD: Dr Lim, there is a range of funding options available to government. Treasury and government are best placed to comment on how that will be done. It should also be remembered that undergrounding typically reduces maintenance and increases liability, so we would expect that Power and Water would make some contribution, given its reduced costs as a result of undergrounding. However, but those details are yet to be resolved.

Dr LIM: Mr Chairman ...

Mr CHAIRMAN: Dr Lim, Dr Lim ...

Dr LIM: May I seek your indulgence because I was not aware that this was what you intended to do ...

Mr CHAIRMAN: That is why we gave 15 minutes notice.

Dr LIM: Well, I will tell you what: I have one more Territory-wide-type shadow question and the rest are, essentially, local member questions.

Mr CHAIRMAN: Yes, I am happy with that.

Dr LIM: All right. Darwin dam: I am told it is about 17 m below the spillway, so it is not at full capacity?

Mr K WOOD: No.

Dr LIM: I understand the water supply for Darwin and Palmerston is being shandied with water drawn from McMinns bore field. I put this question to the DIPE minister and he declined to respond and deferred to Power and Water. Does Power and Water have any plans to improve its water supplies, catchment or entrapment for the growth of Darwin?

Mr K WOOD: Darwin River Dam is getting close to what we call Stage 1 trigger level, based on last year's poor Wet Season just gone. We saw only 800 mm of rain in the Darwin River Dam in this last Wet, which is half the historical average, and it is the lowest in the 30 years since the dam was constructed.

Essentially, in Darwin, we drink last year's rain, pretty much. Last year's poor Wet has caused us to consider accelerating future dams. We have several locations for future dams and, in fact, the board will be considering in the upcoming weeks our future investment strategy related to Darwin's water supply.

The people of Darwin need not worry about access to water at this point in time. We have three sources available to us: we have the bore fields; we have the Darwin River Dam; and we have Manton Dam, which is not used. There are implications with using water from Manton Dam. It has some colour and taste issues. There are implications with drawing down further water from the bore field, in that there would be, no doubt, some community concern about that. I should say that we are currently drawing down much less than our licence allows us to from the bore field. There is certainly the opportunity to increase shandying the water that Darwin sees from Manton Dam, or to increase use of the bore field. However, we are optimistic that the next Wet will redress the situation. It has to be said, Darwin River Dam is a large surface area and shallow, and the evaporation from the dam is where the water primarily goes.

However, we will not resile from the need to construct future dams. We are well aware of where those dams can be, and activities have been taken during this last 12 months to ensure that that land is available as and when required. As for generation, water harvesting for Darwin is the same. We are conscious of our need to make sure water is available, and there are plans afoot to do that.

Dr LIM: Using the basic principles of physics, I assume that smaller dams would trap you more water in a poor Wet than a single large dam trying to trap water within a very small catchment area.

Mr K WOOD: The primary issue with dam catchments is twofold: (1) is just the economics as to where it is placed and the need to pipe it and push the water to the area of demand which is quite expensive; and (2) is the desire, wherever possible, to have a fully-protected catchment so there is no cattle grazing or human activities nearby. That is what drives us to choose dam locations.

Dr LIM: I was told that Manton Dam is, in fact, a lot higher than the Darwin dam, and it may be best to siphon from one dam into another.

Mr K WOOD: It is a smaller body of water. It is used for recreational use, and we would be loathe to change that because people enjoy Manton Dam. The water has colour and taste issues. It is not contaminated, but it has mineral taste and colour issues. I would prefer we not go back and make it a primary source.

Dr LIM: I suppose what I asked was a hypothetical argument. If Manton is full, the refresh rate is a lot lower; therefore, you then have the issue of colour and all that because of where it stays there long term whereas, if you are turning over and because it is a smaller dam, it will fill up quicker, you might have a self-fulfilling correction of the situation.

Mr K WOOD: It is part of a mix of options that we are looking at. We have not drawn water from Manton Dam for many years and we are considering whether we do that. The issue with Manton Dam that worries us as a water utility, from time to time - and we are conscious of - is the fact that it is not a protected catchment. We need to be careful with drawing water from a catchment that is not protected - it is usable and it is safe. With our current protected catchment at Darwin River, it is high quality water, amongst the best water you will find in Australia, and we want to continue our reputation.

Dr LIM: All right. Thank you, Mr Chairman.

Mr CHAIRMAN: It is still my understanding that, on the CLP issue of addressing energy, there has been talk of a \$1.3bn powerline coming across from Queensland. I understand the federal CLP member for

Solomon stated that he is still going to be pursuing that over the next four years, and he is hopeful that it will be picked up.

Dr LIM: You are asking me, or are you making a statement?

Mr CHAIRMAN: No, I just want to make sure that the CLP still have that powerline as part of their ...

Dr LIM: So you need me to respond to that?

Mr CHAIRMAN: Well, no. You can tell me that I am wrong.

Dr LIM: I do not believe, as a Labor member, you should be articulating CLP policy. That is not your role nor your right because you will be very much misinformed.

Mr CHAIRMAN: Just as long as we know that it is there.

Dr LIM: No, you will be misinformed on that issue; so you should not articulate policy.

Mr MILLS: It is inappropriate for the chairman to weigh into this ...

Dr LIM: Yes, that is right. It is inappropriate for a chairman to do that.

Mr CHAIRMAN: Fine. Mr Philip, have Power and Water done any estimates on the cost to Territory taxpayers and electricity users of the proposed \$1.3bn high transmission line from eastern Queensland to Darwin?

Mr PHILIP: Perhaps I will start. I am not aware of any detailed costings having been done on that proposal. It is a recent proposal. The assessment would be that, perhaps, it is technically possible but financially impossible. There would need to be a good deal of work done to establish whether that was the case. From my point of view, when the proposal emerged, I guess, as a lifetime Territorian, I was a bit disappointed in terms of the potential impact on the Power and Water Corporation in jobs, and also the fact that we seem to be placing a good part of our essential services in the hands of the dreaded Queenslanders, who got just what they deserved last night.

Members interjecting.

Mr PHILIP: They were more my concerns in terms of the proposal as it emerged. I do not think we have done any detailed assessment or further financial or technical work.

Mr K WOOD: No, we were not asked, and neither did we undertake a comprehensive analysis of the proposal internally at Power and Water. It should be said, though, that the electricity revenue pool is about \$225m, and high voltage DC links are normally to transfer energy from a large supply, then elsewhere to a large load because the inverter stations required are quite expensive to take off points from a transmission line. Just thinking through the technical possibilities of the proposal, it seemed hard to understand the revenue pool supporting a project of that nature.

Dr LIM: Well ...

Mr CHAIRMAN: No, no, member for Greatorex. I am not going to give you the floor. I still have more questions. Can you provide any comment, Mr Philip on: we have this line coming across from Queensland, right across the Territory into Darwin. Now we do ...

Mr MILLS: Actually, can I take the chair while you are asking these questions?

Mr CHAIRMAN: There has been much said about ...

Members interjecting.

Mr MILLS: A point of order! Yes, raise a point of order with the Chair then.

Mr CHAIRMAN: There has been much said about outages and the provision of power. Have you any idea how this line could be maintained across that vast area?

Mr PHILIP: No, I have absolutely no idea as to the answer to that question. I doubt that we have done any looking at that at all. I would be surprised, but Kim Wood might be able to ...

Mr K WOOD: No. As I said before, we have done no detailed analysis, nor were we asked to, on the proposal, so have we have little ability to comment.

Mr MILLS: Well, that is interesting. Mr Chairman, may I ask ...

Mr CHAIRMAN: Member for Nelson, do you have a question?

Mr MILLS: Good one! Very interesting.

Mr CHAIRMAN: No, the opposition has had one hour and 15 minutes.

Mr MILLS: Yes, and the chairman has had a fair shot, too - the impartial chairman. Fantastic, we will move across the other side then. Give Mattie a shot later.

Mr CHAIRMAN: Careful.

Mr MILLS: Careful! Good heavens! Where are your governance documents?

Mr WARREN: We are all committee members.

Mr G WOOD: Mr Chairman, just quickly before I start, I have been a critic of the billing system, mainly because plenty of people have come to me complaining. Regardless of the problems it had, I must admit that the service I have had from Power and Water in following up complaints - and I will give you one area especially, which was Howard Springs Caravan Park which had major billing problems - was exemplary and they did their darnedest to fix it up. It took some time but I thank Power and Water for making that effort.

Mr PHILIP: Thank you.

Mr G WOOD: I do think it was a terrible botch-up, but I am glad you put a lot of effort in trying to fix it up. The Howard Springs people appreciated that.

Just a couple of global-type questions, Mr Philip. Where do you make the distinction between the role of Power and Water and the role of government when it comes to upgrading or expanding infrastructure and headworks? If I put it more into a local context: if there was a move, for instance, to take town water supplies out to the rural area, whose job would that be? Would that be the government through a CSO or would it be Power and Water because it is part of their role to expand their network?

Mr PHILIP: Perhaps, Mr Wood, if I could start to answer that question and have Kim Wood add to it. We would look at on the basis of the commercial return that was available for Power and Water to make that investment. Our investment decisions are not always about money. They can be about safety and other issues of that type. Ordinarily, in that situation, we would look to the government to fund the difference between the commercial return on our investment in the project to the total cost of the project.

I guess the Dundee powerline is a good example. It is not water, but it is a good example of that. It is a pretty important safeguard. One of the underpinning reasons for having a GOC is that those sorts of decisions that are made by government, for example, are funded appropriately between the corporation and government. 'Appropriately' means that the corporation should not be called upon to fund uneconomic investment decisions where there is no other important underpinning reason - safety, ordinary extension of services and so on.

Mr G WOOD: Just to hone in a little tighter on that question - I did raise it with the government before the budget - there is to be a program over a number of years to replace what we call the spaghetti lines, the private lines. My understanding from the government is that Power and Water were, at least, looking at that. Do you have any idea whether Power and Water would consider involving itself in replacing those private lines, which do waste water and will always be a continuing problem. It is something we really cannot turn our backs on; they are there - historically they are there.

Mr PHILIP: I refer that question to Mr Kim Wood.

Mr K WOOD: Mr Wood, we are currently identifying the location of all properties with Banjo Water Services as a part of our rural water supply master plan, so that options for their replacement can be considered through potential joint funding arrangements between Power and Water, the landowners and the Territory government. We are best placed, there is no doubt, with our systems to identify those and to put some understanding around what we have out there. We are very happy to work with landowners and government to find a solution for this difficult problem.

Mr G WOOD: Okay. On a similar but more global question: you are a private business, basically wanting to make money out of selling more electricity and more water; how do you match that with your greenhouse goals, which would say: 'Let us not have more airconditioners, or use as much water'? How do you match the two, which appear to be opposing goals?

Mr PHILIP: Can I start with that, Mr Wood? It seems to me that, in those types of decisions, another driver for those decisions is saving capital so that - for example, regarding water - demand management is pretty important to us. It is actually important that people lower their consumption of water over time and be better about how they use water. That could come back to the comment that Dr Lim made before; that is, it may assist in deferring the time when you have to spend that big lump of capital to build a dam. There is a similar answer, I guess, in relation to generation; you are making money by saving or cutting your revenue.

Mr G WOOD: Do you think we are actually doing that on the issue of water usage? I believe we are one of the highest users of water per head of population in Australia. We also have housing developments which, as you know, are so compact, so close together, that they have to use airconditioners to survive. How much focus from Power and Water is there on trying to change government policy so that planning decisions - that is, subdivisions or decisions that might go down as close as putting exotic plants and having great clumps of lawn down median strips, which happen to use a lot of water - are changed to more environmentally friendly uses, and reducing the amount of demand on water and electricity?

Mr PHILIP: Mr Wood, if I could just comment on the water part of it and, perhaps, Kim could talk about the subdivision part. We are certainly working furiously on, I guess, a strategy in demand reduction for water. It is a topic for which its time has arrived. If you look at what is happening everywhere else in Australia, it is a topic where we think the public is going to be receptive to the message. In fact, the experience in Victoria, I am told, is that once people get used to it, they do not want to go back to a situation where they are using more water than the circumstances of that time - perhaps if it was a drought or whatever - would have required them to use less. Therefore, you will see over the next year, I guess, a substantial campaign emerge from Power and Water about how we better use our water and how that resource, I guess, is valued more by us as a community. I am not too sure about the subdivisional aspects and energy efficiency.

Mr K WOOD: We have not taken upon ourselves, at least at this stage, to attempt to lobby or influence government for changes of policy. We do not see that today as our role, although we have become involved in the Alice Springs solar city bid. We are providing some funding in Alice Springs for energy audits on 20 or 30-odd houses as part of a new subdivision being put together there. However, we do understand the tension between our desire to sell product and make profit versus our need to be a good corporate citizen. Certainly, we understand that if we do not take our responsibility seriously, then our shareholders will force upon us a regime that is probably more restrictive than we may see today.

There is a tension between the selling product and being a good corporate citizen; every utility faces it. We understand that the community wants to see us promoting water and energy efficiency, and we are trying to find ways to do that. We have made a start, I guess, is the best way I can answer that.

Mr G WOOD: Through the Chair, it seems that every time we have Estimates Committee, we also have bat problems. I do not know whether the two are related, but I know the member for Goyder and I are phoned regularly at the moment about power outages, flickages ...

Mrs Miller: And the member for Katherine, too.

Mr G WOOD: And the member for Katherine. The solution has been to upgrade the high voltage lines with new insulators and broader cross-bracing. Is that program continuing, and how long will that program need to continue to have a complete changeover?

Mr PHILIP: I refer to Mr Wood.

Mr K WOOD: Yes, the program will continue through to completion. I need to take the time frame on notice, and I will get back to you on that.

I was at Adelaide River last night at a town meeting where we committed to building out to the rim that supplies them. Apart from insulators, there are other solutions that we are also investigating for particularly problematic areas such as Adelaide River currently - and there will be others. We have agreed to spend some hundreds of thousands of dollars on additional infrastructure to give them a supply from two ends, rather than a single supply. Insulators are not the only solution to this problem; there will need to be others found as well.

Mr G WOOD: Is there work being done in the Humpty Doo area? That is the main area from which both the member for Goyder and myself are receiving continual complaints. We are getting a lot of very minor interruptions, taking out computers, upsetting timers, all that sort of thing is happening, and it seems to be constant at the moment.

Mr K WOOD: Yes, it is constant at the moment. Bats are a real issue as we speak. What sort of work is going on at Humpty Doo? Again, I need to take on notice, but I would be happy to respond to that.

Mr G WOOD: Thank you. Just focusing again on a couple of local issues. One is the issue of raw sewage pumped into the Darwin Harbour. Have you done any studies on the effect of raw sewage in the harbour? Do you have plans to eventually upgrade infrastructure so that raw sewage is not discharged except in an absolute emergency?

Mr PHILIP: I refer to Mr Wood.

Mr K WOOD: Toxicology studies have been conducted in the Darwin Harbour and, as I understand it, several years ago when they were conducted, no evidence of contamination of shellfish was found, which is a good indicator of problems, predominantly because of the large tidal variation, the flushing of the Darwin Harbour that occurs.

However, our water business is conscious of the need to improve the level of discharges and, as we are a licensed discharger, we are very conscious that we, typically, have two-year licences on each of our discharges, and the bar seems to be rising year-on-year around the country.

We have recently agreed to fund a Chair of Civil Engineering, Dr Eric Valentine, at Charles Darwin University. He comes with particular water, hydrodynamic modelling capability, and is very interested. We have further agreed to fund software, materials and computer equipment so that he can conduct those studies himself with his postgraduate students. We are very hopeful of a much closer alliance between ourselves, the university and DIPE in the quality of water discharges. We certainly are committed to upgrading our Ludmilla plant over time, and removing the need for raw sewage discharges as soon economically feasible.

Mr G WOOD: A question related to that: as mentioned in the Statement of Corporate Intent, there are opportunities for the sale of treated effluent throughout the Territory. Could you explain that and, perhaps, comment on whether, when you plan the new town of Weddell, should we really be looking at recycled water infrastructure as part of the basic infrastructure in that town plan?

Mr K WOOD: If you look at, say Victoria, you will see that new development typically now include a grey water component; it seems to be very much part of the planning process. The retail water businesses in Melbourne, particularly, have found that the world has changed over the last three or four years and, in fact, they are required to embrace this new world of recycling, reuse and grey water use whereas, when I was there, say in the mid-1990s, it was very much of minor interest, but not mainstream for us.

We are currently looking at grey water usage in Darwin, and we certainly are looking at what the opportunities are for Alice Springs.

We are interested, is the best way to put it. The problem is establishing a price for the water, determining who pays for the infrastructure to get it to where it is required and resolving, particularly in a tropical climate, the safety of the water and we have work put on each of those areas.

Mr G WOOD: My final question relates to the bores in the rural area. I know you have mentioned that already. However, you have said that you have reduced the amount of water that is being pumped at the moment. Do you have, roughly, a per annum volume of that amount of water pumped?

Mr K WOOD: I can take that on notice and provide it. What we are doing is extracting less than our full licence allows us. You will know, no doubt, we are just a licensed extractor of water from the bore fields, so we are not extracting up to our full level. I further understand how contentious this issue is.

Mr G WOOD: Is there any alternative to the shandy? Do you have to take water from groundwater, or is there an alternative way of producing that softer water which you are after?

Mr K WOOD: On an annual basis, we are extracting the full amount allowed under our extraction licence from Darwin River Dam, so that dam cannot provide any more water than what we are currently taking from it. As I said before, we do not use Manton Dam because it is an unprotected catchment with colour and taste issues. However, there is some possibility of using some of that water and we are looking at it now.

Going forward, there is no doubt that Darwin will need to see a further dam or dams constructed. That land has been identified, and planning work continues on determining exactly when to build those dams. They are large capital outlays, so they should not be built any earlier than required, but they need to be there when required. We are well aware of the concern about the bore field. I am not an expert on groundwater, but I suspect a good Wet would resolve some of the current tensions.

Mr G WOOD: If it would rain earlier this year. It would save us a few complaints.

Mr K WOOD: Yes.

Mr G WOOD: Thank you.

Mr MILLS: Mr Chairman, the noise from this end with regards to the questions you asked before should not be interpreted, in any way, that we are defensive about the issue that you raised because, in fact, a very good question you asked was a question I was seeking to ask. However, I was surprised at your role in these proceedings.

Understanding your question indicated to me, clearly, that you are playing a politically defensive role, and the response from the members opposite was, clearly and understandably, a commercially defensive response ...

Mr CHAIRMAN: I do not think it was. You can keep pushing it all you want.

Mr MILLS: Notwithstanding that, I ask: have you analysed the proposal to bring an alternative supply of electricity into the Northern Territory? Has it been analysed to any degree?

Mr PHILIP: I will start, Mr Mills. I am not aware of any of the detail of the proposal having been given to Power and Water to enable it to conduct that analysis. I could be wrong on that. I do not believe there was any meaningful interaction between the proponents and Power and Water - not of our making. It simply was not brought to us and there was no opportunity before it was announced, as I understand it, for us to conduct that analysis.

Mr MILLS: Okay. To refine that: did government refer this matter to Power and Water for any critical analysis?

Mr K WOOD: The simple answer is no.

Mr MILLS: All right. The next question relates to the core word that, to me, is the nub of this whole issue, and you used it, Mr Philips - 'hope'. You 'hope' that cheap gas can be secured. That is the nub of this. Mr Philip, is that a faint 'hope' or a reasonable 'hope'? Can you please convince me?

Mr PHILIP: It is a very reasonable and strong hope that competitively-priced gas will be available in Darwin when we require it in 2009.

Mr MILLS: So, competitively appears to mean 'competitive in today's environment' when we consider the strong economic demands of China. That does not necessarily mean cheaper in today's terms. I need to be convinced.

Mr PHILIP: There is a good argument for what you are saying; that it does not necessarily mean cheaper. However, our objective, clearly, is to get gas at a cheaper price than we are currently paying

delivered into Darwin. That is our objective, and we will be measured by how we go about securing that objective. I did not want to try and underscore the significance and the difficulty of the task. It is not an easy thing to do.

Mr MILLS: No, no. I do appreciate the way in which you have fielded the questions that we are required to put. You would agree with me that it is the hope - we all hope - that cheaper gas can be secured?

A more technical question in regards to management. Power and Water employs contractors for a number of different purposes: maintenance work, administrative, secretarial support roles, transcribing, report preparation and the like. Have you changed the payment method for these people? I understand Power and Water has a very good reputation for being a swift and prompt payer; usually within two weeks. I understand that payment to contractors has now been changed to 30 days. Is that correct and, if so, why?

Mr PHILIP: I will refer that to Kim Wood, Mr Mills.

Mr K WOOD: Our usual, normal payment terms are 30 days for Power and Water, and have been for quite some time. We, from time to time, do pay earlier than that; in hardship circumstance or if requested. We have previously been paying early rather than within our usual payment terms. Within usual payment terms, to me, means towards the end of the 30 days.

Yes, I can confirm we have had some complaints from contractors and others who were used to being paid much earlier than 30 days. They are now being paid more on the usual contract terms and have found that unacceptable and have complained about it.

Mr MILLS: Was that decision to change back to your normal procedures communicated to those who were accustomed to receiving it on a two-weekly basis?

Mr K WOOD: I hope so and I believe so. However, what I have said to my Chief Finance Officer, who has advised me from time to time that some contractors have complained is: if somebody has a valid complaint, we will be understanding, except that our usual payment terms are, and have been for quite some time, 30 days.

Mr MILLS: Thank you, Mr Wood.

Dr LIM: Mr Chairman, I have a couple of Central Australian questions.

Mr CHAIRMAN: Certainly. It is my intention at about 10.50 am to flick it back over this side, but go ahead.

Dr LIM: Mr Philip, several weeks ago - in fact, around the election campaign period - Tennant Creek Power Station suffered a very massive diesel leak. I suppose you can call it leak. I heard that it was tens of thousands of litres of diesel actually flowed around the power station somewhere. Part or a small amount of that was trapped in an bunded pit so that was rescued, but a lot of the diesel flowed into a creek bed. Can you tell us more about that?

Mr PHILIP: Dr Lim, I will refer that to Mr Kim Wood. I am aware of the incident.

Mr K WOOD: I can confirm that that incident did, in fact, happen. I can also confirm it was a large volume of the diesel in the tank there that overflowed the bund and seeped into the soil and sand, which ended up in a creek bed some hundreds of metres away. I can also confirm the incident was reported properly within the usual time frame for reporting these things, and there is work going on to determine exactly what contamination has been caused by that, and full remediation will be taking place.

Dr LIM: When you say tens of thousands – or you agree with a large volume ...

Mr K WOOD: Yes.

Dr LIM: ... are you able to ascertain what the volume was and how much got into the creek bed?

Mr K WOOD: I do not have that information with me, but we do know that information, and I am happy to take that question on notice.

Question on Notice

Mr CHAIRMAN: Would you re-state that question.

Dr LIM: I am asking Power and Water whether they can advise the volume of diesel that was leaked into the creek bed and, further, if it is available, what depth the diesel permeated into the ground and whether, in fact, into any of the aquifer in that area. That is a very serious environmental impact. I do not know what you can do about it.

Mr CHAIRMAN: Do you accept that question on notice?

Mr K WOOD: Yes, I do.

Mr CHAIRMAN: I will allocate No 10.3 to it.

Dr LIM: How much did you recover of the diesel?

Mr K WOOD: The diesel that was recovered was in the bund, which was a small percentage of the diesel leak. I have been and inspected the site for myself and the bund is old and is not large. It is sufficient for sloshing, spilling and taps being left on and not turned off quickly enough. We take our environmental responsibilities seriously, and the question you ask we might not have complete answers to yet, but we are fully investigating the spill on the environmental impact.

Dr LIM: Was the minister advised of this?

Mr K WOOD: The usual advisory processes were followed scrupulously.

Dr LIM: Which means the regulatory minister or the minister for Environment was informed of this situation?

Mr K WOOD: The portfolio minister, I believe, was advised, but we followed the usual protocols for advising of any spill.

Dr LIM: I am surprised that the minister did not issue anything at all. I was not aware of it at all.

Mr MILLS: It was during the election, wasn't it?

Dr LIM: Yes, I think it was.

Further about Central Australia, the Labor Party also made a pre-election promise to secure a water supply for the golf course. What steps have been taken by Power and Water to ensure that the promise is delivered? I ask Power and Water because, again, I put this question to the regulatory minister, and no response was forthcoming except to say ask Power and Water.

Mr K WOOD: I understand that the golf course has its own bores and it extracts water from those bores. However, the difficulty there is because the water has a reasonable level of salinity, the saline level of the ground there, where the grass is growing, is starting to become problematic. We offered to interconnect our bores with the golf course's bores to allow some cocktailing of the water supply because bores of different locations have different mineralisation below the ground and produce different salinity levels.

We made that offer and I am sure that it will be taken up. We will interconnect the bores or provide a blending, and that may improve the situation. I further understand that we have offered to provide whatever assistance we can to assist them in looking at salt resistant grasses. If we have expertise within our scientists or chemists in-house, we will make them available.

Dr LIM: Finally, the Alice Springs sewage ponds. Mr Philip made a comment in his opening statement about trying to rectify the situation there. Normally, around this time of the year is when the Ilparpa Swamp overflows and tracks its way, finds some way through the culverts into St Mary's Creek. Is this situation going to arise again this winter in Alice Springs?

Mr K WOOD: We have just finished the consultation process on our recharging aquifers with waste water, so we are now analysing what we need to do going forward to determine what the next technical steps are to provide an alternative for some of that waste water. Will there be sewer overflows this year? Almost every water company in this country will see sewer overflows of various sorts related to rain events or fault events. I cannot give a guarantee that we will not see that in Alice Springs this year. However, I can tell you that we are committed to finding an enduring technical solution for the sewer pond issue.

Dr LIM: At the moment, many, if not most, people in Alice Springs are offering a suggestion that the water should not be piped down to south of Heavitree Gap; in fact, that the water should be pumped back up north of Heavitree Gap. The rationale is that the MacDonnell Ranges will form an impermeable barrier for anybody trying to source water from south of the gap.

Mr K WOOD: We have a very interested and committed water business, and they are very keen to find a solution that will work for Alice Springs. If it requires us to hear what the people in Alice Springs are saying, I make sure my people are there to listen. We are interested in finding a solution that Alice Springs is happy with. That is the best way to put it.

Mr CHAIRMAN: If I could flick it over this side, Dr Lim?

Dr LIM: Okay. I have one more after that.

Mr WARREN: Mr Chairman, I would like to ask a question on the chairman of the board, regarding the cost of reticulating water supply at Wagait Beach. I will preface it with an appreciation on behalf of people there that the permanent water supply is going to make a significant difference. Talking about taking it to the next level - and we are talking about reticulated water – it is my understanding that the Cox Peninsula Community Government Council was advised that it would cost about \$2m to reticulate water. I have also had feedback from them, and you have possibly as well, that the cost would be considerably less than that. Would you like to discuss that issue and how you continue discussions with the Cox Peninsula Community Government Council on this matter?

Mr PHILIP: Thank you, Mr Warren. I do not have the answer for you but Mr Wood may.

Mr K WOOD: Mr Warren, we have spent, in the last 12 months or so, \$1.7m providing a more secure service water supply. We have no plans, at this point in time, for a full urban reticulation, although my estimates are that it is higher than the \$2m you mentioned. However, we are committed to consultation with the community and we would welcome that going forward as soon as you might require that, to see if there is some way we can, together, work out a solution to this. It is unlikely that the economics, as has been mentioned earlier, would justify Power and Water committing all funds required for that reticulation.

Mr BONSON: Through the Chair, either to the Chairman, Neil Philip or Managing Director, Kim Wood, my question relates to underground power. The Northern Territory government has successfully implemented a practical plan for the northern suburbs in undergrounding power and, specifically over the last few years, Nightcliff. I suppose, as the local member, my question is: how is underground power going? Is it going to plan, and when can we see it in the Millner area?

Mr PHILIP: Thank you, Mr Bonson. I will refer that to Kim Wood.

Mr K WOOD: The program is behind schedule currently. I do not have percentages with me, but I am happy to take that question on notice. There are a number of reasons for that: one is that we need to coordinate with Telstra. Sometimes, we are ahead of Telstra, sometimes we are behind Telstra; sometimes, we want to use the same channel and, sometimes, the services come from opposite ends of the block. We recently met in Nightcliff with Telstra and the local member to try and find ways to improve the coordination.

Further, the distribution pillar we use has been developed between ourselves and our supplier, and we struck some technical issues. We needed to go back and revisit the insulation issues with that pillar, and that caused some delays as well. There have been initial delays early on in the project. Between ourselves and Telstra, we have tried to find ways to fast-track going forward.

I am quite happy to take on notice the question as to when your particular area will be done and provide a schedule and, in fact, provide that publicly if required as well - perhaps in the local papers.

Mr BONSON: I am not sure if we will worry about taking it on notice. I might contact you at a later date.

Mr K WOOD: Okay.

Mr MILLS: Mr Philip, there has been reference made to the expiring of contracts between 2009 and 2011. How many contracts are we talking about in that period?

Mr PHILIP: In terms of gas supply?

Mr MILLS: Gas supply.

Mr PHILIP: Mr Mills, my memory does not serve me that well, but I think it is in the order of three: a couple of foundations - at least one foundation contract continuing. MSA3, I think, was the last contract. I believe it is in the order of three for different volumes.

Mr MILLS: Different volumes, different prices?

Mr PHILIP: Yes.

Mr MILLS: Is it possible to have any detail on those contracts that are set to expire, and what impact? We do need to know what sort of impact will flow upon CSOs, perhaps?

Mr PHILIP: I do not want to appear hesitant, but I am hesitant in the sense of the details that we would be able to make available without breaching confidentiality. Perhaps, maybe, the volumes. We certainly would have a significant issue with the supplier if we were to produce pricing in relation to individual contracts.

Mr MILLS: I accept that, so volumes would be satisfactory.

Dr LIM: Without volumes, you mean?

Mr MILLS: Did you say without volumes?

Mr PHILIP: No, I am saying I am unsure whether we will get, possibly volumes, certainly not price, and the volumes match to the date of expiry of the relevant contract. I believe that might breach our commercial obligations to suppliers.

Mr K WOOD: We need to look at the conditions of the contracts to see: (1) whether this material is releasable and, I suspect, (2) whether it is in our best commercial interests to release some of this material.

Mr MILLS: Mr Chairman, may I place that on the record and, after your assessment if it is appropriate, then whatever is relevant or you are able to pass on, I would certainly appreciate that.

Mr CHAIRMAN: How do you want it placed on the record?

Mr MILLS: I will place it on the record and, if the answer comes back that it is not possible or it is only possible in this respect, I will have to take it as it comes to me.

Mr CHAIRMAN: Is that a question on notice?

Mr MILLS: Well, they are going to get back to me.

Mr PHILIP: We will undertake, Mr Chairman, to look at the contracts and see what information we can make available.

Mr MILLS: All right. I will remember, Mr Chairman, and I will follow that up.

Mr CHAIRMAN: Fine, then it is not a question on notice. That is what I needed to know, thank you.

Mr MILLS: Do I presume from that, with those three contracts, after 2011 there are no binding contracts for the supply of energy – none?

Mr PHILIP: That is correct.

Dr LIM: Mr Chairman, in the closing minutes, if I can ask a quick question. I recall a project being developed over the last couple of years of the CLP government about sewage outflows into the Darwin Harbour. I recall that there was a plan to treat the sewage and filter it before the water is then discharged into Darwin Harbour. Where is it at, at the moment?

Mr PHILIP: Dr Lim, could I refer to Kim Wood, please?

Dr LIM: The water was going into Doctor's Gully, wasn't it?

Mr K WOOD: Yes. The intention was to take the sewage - it is essentially raw sewage - from the outfalls at Larrakeyah, upgrade the Ludmilla treatment plant, pipe it up to Ludmilla, and also do some work on the Ludmilla outfall as well. While there has been some pushing out of the time frames, certainly there is a master plan for Darwin which does include exactly those things. Along the way, we have been continuing to do studies of the effect on Darwin Harbour. As I said in answer to an earlier question, we are quite committed to ensuring there is sufficient analytical ability in the Northern Territory to determine exactly what impact on marine life and other things the sewer outfall has.

Dr LIM: When you say it has been pushed out, obviously, it is now four or five years since the project was first mooted. What stage is it at?

Mr K WOOD: There have been continual upgrades over the last several years of the Ludmilla treatment plant, and many of the building blocks are now in place to embark upon this scheme. We have not resiled from it, and we have been building bits of the plant out and the piping required to do this project.

Mr CHAIRMAN: Member for Grotorex, it is now 11 am. That concludes the hearings of the Government Owned Corporations Committee. On behalf of the committee, I would like to thank Mr Philip and officers of the Power and Water Corporation for attending today.

The committee adjourned.
