The Estimates Committee convened at 8.30 am.

Mr CHAIR: Good morning, everybody. Welcome to the final day of Estimates Committee hearings. I acknowledge that we gather this morning on the land of the Larrakia people and pay my respects to elders past, present and emerging.

SCRUTINY OF GOVERNMENT-OWNED CORPORATIONS

POWER AND WATER CORPORATION

Mr CHAIR: I welcome Mr John Langoulant, Chair of the Power and Water Corporation Board. Could you please introduce the officers accompanying you today?

Mr LANGOULANT: Mr Chair, it is a real pleasure to be here today. I share your acknowledgement of country.

On the front row is our Chief Executive Officer, Djuna Pollard to my left; Chief Financial Officer, Martha Stewart; sitting to Djuna's left is Executive General Manager of Customer Strategy and Regulation; Jodi Triggs is on my right. In the second row is Michael Besselink, Executive General Manager of Core Operations; and Stephen Vlahovic, Acting Executive General Manager of Power Services. We have a few other officers outside in case we get into areas of water, safety, culture and ICT matters. We are here to help.

Mr CHAIR: Mr Langoulant, I invite you now to make a brief opening statement. I will then call for questions relating to the statement. The committee will then move on to consider questions regarding the corporation's 2021–22 Statement of Corporate Intent. I will invite the shadow minister to ask their questions first, followed by committee members. Other participating members may ask questions. The committee has agreed that other members may join in on a line of questioning pursued by the shadow minister.

Mr Langoulant, would you like to make an opening statement?

Mr LANGOULANT: I would, but there are a few matters which I would not mind spending a few minutes outlining for the committee. It might help our discussions.

I will start at a good place and recognise and place on the record some of the great achievements that staff at Power and Water have made in the last 12 months. First, our very own Joshua Zeimer recently won the GTNT Apprentice of the Year Award. Josh is a planner scheduler in Alice Springs after successfully completing his Certificate III Electrical Supply Industry Power Systems, Distributions, Overload in 2020. We think this is a fantastic achievement for Josh and a great reflection of the culture we at Power and Water aim to instil in supporting the next generation of workers and field experts.

We have also had some great news from the annual Australian Water Association Awards, where a number of our people were finalists on the national stage for their achievements in the water industry. Andrea Georgiou, a Water Services graduate, was a finalist in the Student Water Prize for her work on the effects of pressure-reducing valve settings on a reticulated water supply system. Teng Yik, Water Services Program Manager, was the finalist in the Infrastructure Project Innovation Awards for his team's work on the Ngukurr leak detection project. They are a couple of examples of the good quality work that is being done.

Turning to matters relating to Power and Water, as you would all be aware, Power and Water is a multi-utility operating across two broad but essential service industries: water and electricity. Both sectors are facing significant evolution in technology and customer expectations. Similarly, in the gas sector where we manage important gas contracts for the government.

Of course, we are not unique. Everyone in the community is facing challenges. In the utilities sector, whether it be electricity, water or gas, the challenges mount every day. What is different, though, about the Territory—and it is quite important to understand—is that we face these challenges as an organisation that is many times smaller in staffing numbers, the size of our asset base and our operating budgets than many of our peers. Our operating area is much larger than those peers and our customer base is much smaller.

Amongst the challenges I will highlight is the rapid increase in renewable energy, which is coming onto the Northern Territory electricity system as government pursues its 50% renewable energy target, together with the general change in customer behaviours and adoptions of technology. As that technology becomes cheaper and more accessible many things are changing in the system.

There has been a take-up of around 5% per year of solar PVs on homes across the Territory and now we have over 23% of all homes with these solar PVs. Combined—and this is quite an important point—these solar systems are now bigger than the largest single generator unit on the Darwin-Katherine system. In terms of generating capacity, they are equivalent to more than half of the system's average Dry Season load.

Make no mistake, this rooftop solar capacity is to be welcomed but the electricity it generates must also be managed. It has implications for the cost of traditional generating capacity as the need for solar and thermal systems need to be in balance to ensure system stability and overall security, which is paramount. We all know system blacks are something absolutely we avoid.

On the large-scale solar front, we are currently working through eight applications from proponents when, historically, we may have only ever had one at a time for every few years. This is putting quite a bit of pressure back into the organisation. But I am pleased to say that the results are really encouraging.

In the NEM, the benchmark time it takes to connect a large-scale solar unit is approximately 41 months. At Power and Water, we are aiming to outperform those time frames by working closely with each project proponent throughout the process. Over the past 12 months, we have physically connected and energised over 50 megawatts to large-scale solar—this is a great achievement—all the while preparing for a further 70 megawatts or so due to be connected.

Combined, these challenges of integrated renewables and energy storage into the system are considerable. The characteristics of the Northern Territory power system also makes dealing with these challenges unique compared to other systems. That is because, in the Territory, the electricity networks are electrically islanded. This means that we cannot transfer generation and systems support services to or from neighbouring electrical systems. The southern states can.

Our systems must stand alone, requiring them to be more secure and reliable than a power system with interconnections to other systems. Other jurisdictions have wind as well as solar renewable energy generation. Wind can continue to operate when solar generation is not available whereas, in the Territory, we have to rely on solar generation alone.

With changes in its regulatory, economic, industry and social environment in recent years—and together with Djuna's arrival—we took the opportunity to undertake a detailed review of our strategic direction during the year to ensure we were prioritising the right things and to confirm how we would tackle new challenges. I am pleased to say that after reviewing the external environment against current directions, we think we are on the right track.

But we knew there were a few areas that we needed a course correction on in order to fully support our future ambitions and to recognise the acceleration of private investment projects as well as industry and jobs growth. The results of that strategic direction review are spelled out in our Statement of Corporate Intent. I will not go into that detail.

On the gas front, the team is continuing to work with the Northern Territory Government to support its economic growth targets by supporting industry and creating new jobs. It is a little unfortunate that this effort is not reflected in the commentary in our SCI where we are forecasting to miss out total revenue SCI target and fiscal year 2021 by $41.1m or 5.5% ,which is due mainly to a reduction of $4.4.8m in gas revenue. This unfavourable variance is mostly due to sales volume shortfalls in relation to two large gas sales agreements we had projected to secure during the course of fiscal year 2021. That did not eventuate.

If you remove the volatility of this gas business and that revenue, the underlying revenue of Power and Water is remarkably stable. The underlying regulator revenue for the water and power businesses are pretty well flat across the forward estimate period as spelled out in the SCI, reflecting the prevailing macro-economic conditions.

At the same time, over the current SCI, Power and Water has held underlying operating costs to an average annual growth rate of less than 1%, excluding the impact of gas. We think we are understanding and managing our businesses tighter than we have ever done before. You would have seen from the accounts that our capital expenditure for the year is down on forecast by $87m. The bulk of this is due to a deliberate slowing that the corporation has made in investments in new ICT, particularly the systems around billing and finance management. We have done this, we have slowed that investment, to ensure that the design and implementation risks of these investments are well managed.

Additionally, due to a change in accounting rules much of the ITC investment in those major systems has previously been treated as capital but now has to be treated as an operating expense, primarily due to the fact we are moving most ICT investment to the cloud rather than having it in a physical form of service systems.

Together this reduction in the gas profits and the change in the accounting treatment for ICT has impacted our profitability. That is why you see, across the SCI period, that the payment of dividends in that period is at zero. Even though our dividend payments are zero we continue to pay income tax to the Northern Territory Government under the national tax equivalent regime.

It is also pleasing to note that Power and Water's net debt is forecast to reduce by $220m by 2023—24 compared with the previous SCI, with the corresponding reduction in interest expenses of $26m over the four-year period.

In terms of electricity market reform, Power and Water is working closely with the government on its proposed electricity market reform program following the announcements earlier in the year of the development of policy positions that will shake the market that Power and Water will ultimately be charged with operating as the market operator. In our role as a market operator the government's electricity market reform program will have a substantial impact on us in terms of required systems and market tools plus the necessary resources to operate the market.

Setting up a new market that is sufficiently rigorous and reliable to settle transactions worth millions of dollars, and that can be relied upon by the private sector to support investment in the Territory worth hundreds of millions of dollars, is no simple task. As a stand-alone power system we cannot rely on interconnections with the NEM to operate the system, as I mentioned earlier. Neither can we rely on it to manage the market working within that power system. That means that we need to develop bespoke ICT solutions capable of meeting the needs of all market participants.

Regarding water, I am sure you have seen the announcement by the government in February this year about the Adelaide River offshore water storage, or AROWS, its preliminary business case. That business case is part of a $2m federally funded assessment of the future water source needs of the greater Darwin region, which had been run by the Department of Industry, Tourism and Trade. It has been pleasing to see the preliminary business case short-listed project that Power and Water has been working on for almost 10 years, which is return Manton Dam to service—and the AROWS project. Power and Water is continuing to work on these projects and support the government its detailed business case work.

These types of projects, particularly the AROWS project, are once-in-a-generation sized piece of work, with such long lead times that take real vision to identify and see through, and to be able to take it to this point is a real testament to the hard work, dedication and professionalism of the people involved.

I will speak a little about our remote communities. I am sure you are all aware of the recent announcement by the Minister for Indigenous Essential Services of the $28m program targeting a range of water quality and capacity issues across our remote communities. Our teams were instrumental in the planning behind these announcements, and I am sure next year I will have much to update you on from the program of works.

Late last year we successfully upgraded the Bulla disinfection chlorination unit to improve reliability and increase real time visibility of the operation of the system, and we upgraded the filtration system to improve the clarity of the water by removing the total dissolved solids in the water. We have also started work on the Wurrumiyanga solar and battery project on Bathurst Island that was announced by the government in April this year. We hope to have that project complete later next year, which is a great opportunity for that community.

Of course, there is our water demand management work across the communities helping to keep people on community and improve their standard of living by finding and fixing leaks and helping to improve the availability and sustainability of the limited water in some of these communities.

As you can see, this is a diverse organisation with many responsibilities. We think we are managing our responsibilities in the best interest of the Territory and in terms of the finances of Power and Water, they are stable and a sustainable situation.

Thank you for your time today to make those opening comments.

Mr CHAIR: Thank you, Mr Langoulant. I remind the committee, Mr Langoulant and Ms Pollard that we have the option of going in-camera. If there are sensitive issues you need to discuss, the committee can go in-camera, which makes it a private session.

Are there any questions on the opening statement?

Mr BURGOYNE: What is the current net debt for 2020–21?

Ms STEWART: Our SCI for FY 2021, projected that our net debt would be $1.3bn. Pleasingly, our forecast for where we were expecting to land at the end of June 2021, is $1.1bn net debt.

Mr BURGOYNE: I am glad to hear that, because it was a little worrying last year when we heard that it would blow out to $1.3bn. It is still worrying, when we look at operating expenditure into the future—you spoke about it Mr Langoulant—the 2020–21 is set to go from $216m to $234m. What do you put down this increase in operating expenditure to?

Mr LANGOULANT: There are a couple of factors and the most significant is the way we are approaching the investment in ICT. As I mentioned in my opening comments, these system investments are significant.

We have changed the pace at which we are going forward with that investment. The bigger impact is the accounting treatment, which we are now willing to apply. Whereas before we were treating that investment as a capital expense, it was not in the operating account or our profit and loss. Because of the way we are going about using the cloud rather than using physical servers, we have to bring that expense back into the operating account. The fluctuations in our operating expenditure are predominantly driven by that investment in ICT.

It is not solely; some other factors impact the operating expense across the SCI period, some of which I referred to in my opening comment. They go to the issues of the reform program being undertaken. In that reform program we have a central role in ensuring that the changes to the Northern Territory electricity market are introduced in a reliable way, not only for Territorians but for those investing millions of dollars in the systems.

Ensuring that work is done effectively and efficiently adds to our operating costs from year-to-year. Some fluctuations are due to these extraneous events rather than underlying events.

Mr MALEY: Instead of going to servers, was it your choice to go to the cloud and why?

Mr LANGOULANT: We took the decision after we went to the market to procure the best approach. We were not comfortable with the results we got from that market approach and decided to change the technology we would use rather than using a server-based system to bring it into a cloud-based system. I could have our ICT people give you a more detailed response. Djuna, would you like to add to that?

Ms POLLARD: It was our decision at Power and Water Corporation. As part of that decision-making, we also looked to what other industries are doing, particularly on the electricity side of our business. It is quite complex and we wanted to keep in-step with best practice, from an industry perspective. Nearly all the electricity network businesses around Australia have moved away from on-premises solutions to a Software as a Service solution. It has proven, from a whole of business outcome perspective, the more cost-effective way of managing systems moving forward.

That provides a bit more background. If you want further detail, I can ask Jodi Triggs to add to that.

Mr BURGOYNE: The final report on budget repair states that the commercial management of government-owned corporations is essential to the Northern Territory Government's budget repair efforts, including ensuring operating expenditure growth does not increase at a greater rate than operating revenue growth. I spoke about this last year—is Power and Water meeting that KPI, seeing as last year you stated that it is your objective to do that?

Mr LANGOULANT: I remember that conversation well. I am pleased to say we are meeting that objective.

Mr BURGOYNE: When I look at revenue and operating expenditure target met: No, in the current Statement of Corporate Intent.

Ms STEWART: The Statement of Corporate Intent for the 2019–24 financial year, so last year's SCI, the target met was 'no'. However, pleasingly, the target for financial year 2021–25 SCI, which is the current and new SCI, the target is met.

Mr BURGOYNE: You can understand my scepticism about this. We look at last year's dividends which were going to be paid. In 2022–23, we are expecting a $41.9m dividend paid to the government. We now look at this year, and in 2022–23 it will be zero. I am very sceptical because when we go from one year to another and it changes by $40m. You spoke about gas revenue decreasing. Are there other impacts affecting that dividend being paid—since you also stated the objective clause—and that drives the point—this is quoting you from last year—a $1m in dividend:

> *… drives the point that we respect that requirement. We understand it is a requirement of the organisation and seek to meet those obligations.*

In regard to paying dividends to the government.

Ms STEWART: You are right. There is a change to the dividend projection for the current SCI. As mentioned by John, the change in accounting for how we treat our costs for the ICT program, in particular, are upwards of $50m over the four-year period. That goes in to our profit and loss now. Our dividend is calculated at 50% of net profit after tax. If we now take those costs into the profit line, that means we have reduced ability to provide a dividend, based on that calculation. Having said that, it is always our intention to return funds back to our shareholder when we can. If prudent and possible, we will always discuss with our board the ability to return to our shareholder.

Mr BURGOYNE: Whereas last year it was something that you respected and understood—that the organisation should meet those obligations and pay a dividend. Due to the new way you are accounting, you have decided it is no longer something you are required to do?

Ms STEWART: No, I do understand it is something I and we, as Power and Water, are required to do. Unfortunately, the accounting rules state that when we are moving to a Software as a Service arrangement, it is a cost into the operating expenditure line. If we have the ability to return a dividend to our shareholders, we absolutely would make that discussion with the board and return that if we can.

Mr MALEY: Was this part of the decision made when you considered this—when you made the decision to go to the cloud—that you were not going to pay any money back to the shareholders? You said that it was your decision to go to the cloud. Was this a consideration—that it would make such a difference that it would go from $41m to zero?

Mr LANGOULANT: No. We took the decision to go to the cloud because it was the most efficient way of delivering the investment in ICT.

Mr MALEY: Did you consider the impact of going from $41m dividends payment to zero?

Mr LANGOULANT: Taking a holistic look at the impact these decisions have on our bottom line, we do that when we take all these decisions. That was not the only thing driving the outcomes for zero dividends across those outer years; it is other factors. It is the cost of the various initiatives we are seeking to implement across the organisation and the cost of accounting changes.

We see the need to pay the dividends as an absolute requirement. It is very is appointing to us that we do not have numbers written into the forward estimates at the moment. We cannot write a dividend payment in when we do not have the profitability and the bottom line to do it. The objective we have as an organisation is to continue to strengthen and work on that bottom line.

My great expectation is that by the time we get to those outer years, the strength of the bottom line will have restored itself and there will be a dividend payment again. The fluctuations we are talking about across this $700m business, which has the different components that I explained, particularly gas—two significant gas contracts, which we saw as being achievable in the deliverable last year, which would have flowed across the outer years did not materialise. That had a big impact on the bottom line.

Mr BURGOYNE: I remember talking about those gas projections last year and how we thought they were advantageous, shall we say. They did not materialise. Are you able to expand on why they did not materialise? They have meant a huge hit to the bottom line.

Mr LANGOULANT: I do not want to get into commercial matters, but the two mining companies we thought we were on the verge of completing agreements with—the considerations were taken by those companies for a range of reasons, some of the unknown to us and some not. They decided not to go ahead. Discussions with those companies are continuing, though. We still hope that in the near term, those contracts will be realised. We just have not been able to pull it off this year.

Mr BURGOYNE: I understand that you cannot talk about what they were worth, but we can see from the projection in 2021–22 where you were expecting a revenue from gas of $332m, that has now been written down to $254m. How much of that is the market for gas actually decreasing—the price of gas the bulk of that decrease is?

Ms STEWART: The bulk of that decrease is volume, not necessarily price.

Mr BURGOYNE: The price of gas is still very strong?

Ms STEWART: Yes.

Mr BURGOYNE: It is spoken about a lot. It is good to note from those who sell it that it is still strong.

Mr MALEY: The gas you are talking about is the gas you purchase where the deal is that you are the use it or lose it, and you are trying to on sell that gas; is that right?

Mr LANGOULANT: That is right.

Mr MALEY: Correct me—is it the more solar that comes in the more gas you have left over because you are not generating? The more solar renewables you have, the more gas you have, that you have to pay for anyway and you cannot sell at this stage?

Mr LANGOULANT: That will be a long-term outcome. We do not see that as presenting a particular challenge to our bank gas.

Mr BURGOYNE: I am glad the Member for Nelson mentioned it; what happens with that gas? I imagine we do not have a space where we can and closely store this gas that is not used, so is it burned off?

Mr LANGOULANT: No, it is not burned off. It is gas that we take when we have a market to sell it to. It is just a take-or-pay contract—you take it and you pay for it, but the gas remains in the ground, so you take it when you can through contractors.

Mr BURGOYNE: How much in revenue has the NT Government has missed out on because we have not been able to take that gas and sell it on?

Mr LANGOULANT: I do not look at it that way. I think it is the time you actually sell the gas. Clearly, we would have liked to get those two gas contracts away during the course of 2021. We have not been able to do that; our expectation as that those contracts will materialise, so that revenue will flow to the government.

Mr MALEY: You said it is take-or-pay, so if you do not use it is to pay for it, and if you do not use it the gas company gets to sell it to someone else, so they get to double their profit, essentially. Is that correct?

Ms POLLARD: Part our strategy is that we have a long-term gas contract to 2034. That gas is very much for Power and Water to sell, on-sell, or use. Territory Generation is the primary generator in the Northern Territory; we supply its gas. As we start to see an increase in renewables, particularly in the solar space. We are expecting there to be a decline in the volumes required by Territory Generation.

Part of our strategy is to look for markets elsewhere, not only in the Northern Territory. We are working closely with the government on the TERC report, looking to improve and increase economic development and growth. We also have customers on the east coast; that is a market we want to expand further.

The main requirement for us to further progress and maximise the value with our gas contracts is to do additional expansion on the pipeline. That is a major piece of work we are looking at undertaking. We are developing a business case to allow more gas to flow through the pipeline.

Mr MALEY: Are you talking about a bigger pipeline?

Ms POLLARD: It is essentially putting compression on the pipeline so that the flows of gas can be greater than what we have now.

Mr MALEY: How much of the gas that you buy every year do you actually use?

Ms POLLARD: Within Power and Water—very limited. The primary …

Mr MALEY: Can you give us a percentage of what gas you actually—you pay for it; what you use? The rest does not get used and you still pay for it, of course.

Ms STEWART: I do not believe I have the answer at hand, but I can take that question on notice and attempt to have that back to you before the end of the session.

Question on Notice No 10.1

Mr CHAIR: Member for Nelson, please restate the question for the record.

Mr MALEY: What percentage of the gas that you pay for is used by your organisation?

Mr CHAIR: Mr Langoulant, do you accept the question?

Mr LANGOULANT: Yes.

Mr MALEY: Can we have that for this financial year and next financial year? I am guessing that you do a year—just to try to limit it, otherwise it is like an open-ended question.

Mr CHAIR: The question asked by the Member for Nelson has been allocated the number 10.1.

Mr BURGOYNE: We have a contract where Power and Water Corporation gets a certain amount of gas, do we have to take that gas or lose it within a financial year, or can we roll it over into the next financial year?

Ms STEWART: We pay for the gas in that financial year; however, we have the opportunity to use the gas at a later date. That gas has been held for us, because we pay for it. We have the right to call it down.

Mr BURGOYNE: The gas deals that were to go through, and the revenue has been lost—that gas has not been lost to Power and Water Corporation and you will be able to sell it at a future date?

Ms STEWART: Correct.

Mr BURGOYNE: Thank you; I am glad to hear that.

Mr MALEY: How long can you store it for?

Ms STEWART: The gas is not stored by us; it is still in the ground. When we need it and have an opportunity to sell that gas it comes down the pipeline.

Mr BURGOYNE: With the move to renewables, how much of that gas you expect to be stranded? You will be using less and less gas over the forward projections I imagine, with an increase in renewables. Will you then have to sell more and more gas? You have signed these deals well ahead, how much gas do you expect not to use—and the increase you will have to find other markets for?

Ms STEWART: We have executed firm gas sales agreements, which will utilise all its current entitlements pursuant to the gas purchase contract we have with ENI.

Mr BURGOYNE: Up to what date? Essentially, what you are saying that you will be able to sell all the gas and it will not be stranded even when an increase in renewables coming on board, is that correct?

Ms POLLARD: I will pass to Antoni to finish this question, but the intention is we have contracts to deal with the currently contracted supply with ENI.

Mr MURPHY: No, we do not expect to have any stranded gas. Currently we are operating well above the minimum requirements of our contract. As mentioned earlier, the gas that we purchase is in a reservoir and we draw it out as required and on-sell that to the market. The price is very good in the market at the moment, particularly the east coast, and the demand is definitely there for the gas. We are working to unblock some of the constraints which enable us to take advantage of those prices.

Mr BURGOYNE: What is the minimum requirement Power and Water has to draw out every financial year?

Mr MURPHY: That is commercial-in-confidence. In terms of the contract and actual volumes of the contract, we are well above the minimum take.

Mr BURGOYNE: There is no chance of us moving below that any time soon?

Mr MURPHY: Not at the moment. The last three years, since the connection of the Northern Gas Pipeline in 2019, we have been taking it well above and have been burning off our bank gas. We are drawing down our bank gas year on year as we move forward, because the market on the east coast is almost like a risk-mitigation market. As renewables come down, we can push gas into that market to mitigate the risk of renewables coming in. We are also working on other projects. There are a number of paths we are talking to in the NT and on the east coast in relation to new projects and sales.

Mr BURGOYNE: The term, 'burning off bank gas'. It is something I often hear; could you explain it?

Mr MURPHY: We have purchased gas, which we have not taken in previous years and not had our minimum threshold. In 2019, when the Northern Gas Pipeline came in, we had a major customer on the east coast and we underwrote that pipeline. Effectively, we have now moved above our minimum take and now start utilising our bank gas. That bank gas is forecast to be utilised over the forward SCI, in which case our forecast either potentially we will need more gas in the future to support some projects that are currently being negotiated.

Mr BURGOYNE: It is interesting, even though it sounds like we will start selling more gas, the forward projections are still well under that of the previous SCI. Can you give us some understanding about why those projections will still not be met even though we will be selling that bank gas?

Mr MURPHY: It is important to note that year on year we have increased our sales. Since 2018 we have almost doubled our revenue and have gone up from $160m to $283m this year. We are growing, year on year. We have not met the forecast. Some projects are to unblock the pipelines and some have been pushed out, hence they have not come to fruition.

We still expect those developments will happen but in a gas industry everything takes a long time. To do something like compression will take two years as a minimum. It is more of a delay and being able to get those customers because if the pipeline is constrained, you can only fit a certain amount of gas down the pipeline. Therefore, you cannot provide the gas until it is unblocked and that takes time.

Mr BURGOYNE: Are you able to give us an idea of what projects have been delayed that meant a reduced sale of gas?

Mr MURPHY: These are mainly sales of gas to the east coast. We are negotiating with parties to bring projects here and Middle Arm is a focus. The economics of project gas is one component and the other parties have to work out all the other elements that make their project viable. They have taken longer than expected to secure some of the projects; that is just the nature of how these developments work.

Mr BURGOYNE: I understand there is a lot of commercial-in-confidence. Are there any future plans for manufacturing in the Northern Territory where there would be a customer come on board and the sale of gas would be quite advantageous?

Mr MURPHY: As a potential, the answer is yes. It is like a fishing expedition; you go out and try to attract them and get them hooked. Then it is whether you can land them. That is what is happening. There are people definitely interested in moving here; people approach us on a regular basis to discuss projects. We are now trying to work out what we need to do to get those projects built here.

Mr BURGOYNE: There have been discussions, but that is all?

Mr MURPHY: Some have got as far as feasibility studies, which is a big investment doing feasibility. Some will require more gas. In some cases we do not have a portfolio big enough to underwrite some of the projects, or have the tenure, we only go to 2034. Some of these projects want line of sight to 15, 20 years, which means you need more gas. Some of it is not just the economics it is about—where will the gas come from and where will the infrastructure come from in future to support those projects.

Mr BURGOYNE: Does Power and Water own any of the gas pipelines currently?

Mr MURPHY: We own some pipelines—the Mereenie pipeline that goes through the Beetaloo. We own the Owen Springs lateral pipeline and capacity rights on most of the other large pipelines in the NT.

Mr BURGOYNE: Are there any plans by Power and Water Corporation to develop a new pipeline to Darwin from, say, future gas fields in Beetaloo?

Mr MURPHY: No, not to Darwin.

Mr BURGOYNE: Where would you be planning on developing those pipelines?

Mr MURPHY: As a pipeline owner we may look to expand existing assets but we would not compete against LNG. If it comes to Darwin it will be LNG and that is not where Power and Water's focus is. We are an aggregator; we are focused on the domestic market. The big pipelines will be used more for export LNG focus projects.

Mr BURGOYNE: Do you use the other pipelines to transport gas around the Territory?

Mr MURPHY: There are no LNG pipelines at the moment, particularly out of Beetaloo, but the pipelines that run through the Amadeus gas pipes—we use those.

Mr BURGOYNE: What is the cost to Power and Water Corporation for using that?

Mr MURPHY: That is commercial-in-confidence, because that affects our—customers would love to know that as well as others. Our competitors would love to know what our cost stack is.

Mr BURGOYNE: The IT transformation program, how much is it costing?

Ms POLLARD: We will invite Jodi Triggs back to the table. Jodi is the functional lead for our operating model program of work, or more commonly referred to as our transformation program of work. We spoke about this quite a bit when we were together in December last year, on the importance of this program of work for us. As John mentioned earlier, we have been deliberate in slowing down the ICT component of this program, and there are reasons for that, but we should not lose sight of the importance of this broader program of work. There are a number of components to it: the ICT Solutions and improving our ICT systems across five of our core areas is fundamental to this program, but we also have a lot of improved process and streamlining work to do and building increased capability and new capability into the business to meet the future needs of our business.

Ms TRIGGS: As a total transformation program we have $34m built into operational expenditure, of which we also have an additional $27m. The capability uplift program—which is predominantly all of our ICT component of the program, although there are smaller ICT investments in the other categories—has $22.1m built into capital expenditure. It is a mixture because some is capital and some is operational expenditure.

Moving forward, the program that we are focusing on up front is the meter-to-cash program, which is replacing our billing system and we are further developing our meter data management capabilities within the organisation. This is vital for us to move forward and allows us to be compliant with the national framework. It also means we can access smart metering data in quicker times and do a lot more with it. Our customers will have improved billing and there are other features we can provide. That first system is replacing our current billing system, which is over 14 years old. For an ICT system it is a dinosaur. We are looking forward to the uplift from that.

Mr BURGOYNE: Was there a budget for how much is was going to cost and where are we in relation to that?

Ms TRIGGS: There have been budgets in the past but we have really only got to that stage now. In the last 12 months we did an expression of interest out to market regarding the ICT replacement program and received a number of responses which gave us a much better feel for how much the ICT program would cost.

We followed that up with a request for proposal from proponents for two ICT systems which allowed us to further refine that. It is through that process we have developed that we will go to Software as a Service rather than on-prem. There has been a lot of refining and developing over the last two years. I do not have the exact comparison with me. If you would like that, we would have to take it on notice but there has definitely been refinement going on throughout this process.

Mr BURGOYNE: Do we have a previous estimate on the cost to reform the ICT?

Ms TRIGGS: There have been previous estimates. The scope of that has been changing. I will have to get that on notice if you would like that figure.

Mr LANGOULANT: As you would expect, we have done annual budgets. It is my recollection, at a high level, there has not been a lot of volatility in these annual budgets. Clearly, we have had the differences between components often going to capital and components often going to operating costs. In terms of the overall expectation of what the cost of this investment would be to the organisation, it has been through our numbers on a consistent basis and there has not been a lot of volatility. We can get you the numbers.

Question on Notice No 10.2

Mr CHAIR: Member for Braitling, please restate the question for the record.

Mr BURGOYNE: I am interested in the 2019–2020 estimate in your budget for what the IT transformation program was going to cost and, in the current 2021–22 budget, how much the IT transformation program will now cost.

Mr LANGOULANT: Do you want that across a number of years, or by year?

Mr BURGOYNE: It would be good to know what you initially set out, what it was going to cost, and now what you expect the future cost to be.

Mr CHAIR: Mr Langoulant, do you accept the question.

Mr LANGOULANT: Yes, I am happy to get that.

Mr CHAIR: The question asked by the Member for Braitling has been allocated the number 10.2.

Mr BURGOYNE: What is the current cost per customer of delivering your current service?

Ms TRIGGS: The total power and water service, you mean?

Mr BURGOYNE: That is right.

Ms TRIGGS: I have not calculated that out. I will have to do that for you. It will difficult, because we have power and water customers.

Mr CHAIR: Do you want to take that on notice?

Ms POLLARD: We can take it on notice to providing average costs per customer.

Mr LANGOULANT: Is this of the power system? Is that what you are after?

Mr BURGOYNE: Power and Water Corporation. I know it is two separate entities but I would hope that any program that is developed would bring down those costs per customer. If we can get an idea of what it is now, then in a couple of years' time, we will come back and say, 'What is the future expected cost per customer to deliver the service with the new IT transformation program?'

Question on Notice No 10.3

Mr CHAIR: Member for Braitling, please restate the question for the record.

Mr BURGOYNE: I will rephrase it for Hansard. What is the current cost per customer across the Power and Water Corporation, excluding gas? An average, please.

Mr CHAIR: Mr Langoulant, do you accept the question?

Mr LANGOULANT: Yes, I am happy to take the question.

Mr CHAIR: The question asked by the Member for Braitling has been allocated the number 10.3.

Mr BURGOYNE: Currently, four large solar projects are subject to extensive delays of up to 12 months for connecting to the Power and Water network. Despite the known technology for solar panels and these projects finished construction and are ready to connect, the investors of these projects are unable to earn a return on their significant investment. Moreover, these private investors would be incurring millions in holding costs whilst these projects await connection.

You spoke earlier about 41 months to connect to solar in other areas and you are preparing for 70 megawatts. What is the time frame for connection of that future 70 megawatts?

Mr LANGOULANT: I will ask Michael Besselink, who has just joined us at the table.

Mr BESSELINK: The connection process has a number of steps within it. For large-scale connections we have a six-step process that we work through. It starts with the preliminaries and inquiries that happen from customers. Then the application goes forward to say that this is what we have to do.

At that application stage, there is an agreement with the proponent about how we will ensure that when they connect to the network, it does not destabilise the network. We have a set of generator performance standards, which have been approved by the Utilities Commission and are part of our network technical code.

Those standards are in place. Then we go through a process where we do some pre-connection processing where we say that is what we will do and how it will work. Then the construction process starts, from the proponent, where they construct their solar farm and from our end, where we construct the parts of kit that are necessary to enable that connection.

Once that connection is in place, it is energised—and I am pleased to say that we have energised three solar farms during the course of this year. We have one of those, which is now well through the commissioning process. Then there are two that are now with the proponents to be energised. The proponent has a lot of work to do on their side to get all these things operating, test their equipment and start the process we agreed on earlier to show that the generator performance standard is being met.

At this point in time, it is not all Power and Water's issues about how we have these connections and how this testing works, because as you go through the testing process if something does not work or meet the standards we both agreed to, we have to stop and restart that testing.

In a solar environment we need the sun for those things to happen. We also need the ability that on the network there is capacity for the test to take place. That is not always the case, if there is very low demand. As you probably know, there are some lower demand days during the Dry Season which is also when the sun is mostly out, for all of these things to happen.

As we go through this process to the end, these processes are benchmarked at about 41 months. Our process is around that time or less if everything goes well. There are a lot of things that have to happen on the network to make sure all these things go well—and with the proponents to make sure things go well. It is a bit of both.

To condense all of that, I cannot tell you how long it will take to connect because it is not entirely up to us. There are a lot of other parts to it.

Mr BURGOYNE: You spoke about enabling that connection. How many projects are waiting to be enabled so that they can connect to the grid? That would be something Power and Water can control. How many projects are waiting to be enabled that can connect to the grid?

Mr BESSELINK: Going through the process, we are working through, I think, another seven projects.

Mr BURGOYNE: Can you outline those for us today?

Mr BESSELINK: There is Defence—RAAF Darwin and Robertson Barracks—Merged Capital, Darwin International Airport and Livingstone Solar. Manton, Batchelor and Katherine are actually …

Mr LANGOULANT: They are all there.

Mr BESSELINK: Yes.

Mr BURGOYNE: What is happening with the Katherine Power Station? It is often spoken about. Is it connected to the grid or awaiting testing?

Mr BESSELINK: Katherine Power Station is connected electrically and has been for some time. It is going through a compliance testing at the moment.

Mr BURGOYNE: It is going through compliance testing, so it has not provided any electricity into the grid or is it testing?

Mr BESSELINK: It has provided electricity during testing, but it is not in commercial operation.

Mr BURGOYNE: It has not made any money out of providing electricity?

Mr BESSELINK: I have no idea whether they are making any money out of it or not.

Ms POLLARD: That contractual arrangement is between, in this case, the solar proponent and Jacana energy. Jacana is up this morning, perhaps that is a question for him.

Mr BURGOYNE: At page 22, the SCI refers to scheduled works requiring specialist interstate and overseas resources being limited by COVID-19 travel restrictions and resulting in an underspend. What plans are in place to catch up on the scheduled works?

Ms STEWART: Are you talking about scheduled capital works?

Ms POLLARD: We are certainly going to great lengths to catch up wherever we possibly can, for the power services part of our business in particular. That is the most heavily regulated. We have obligations we are required to meet under the Australian Energy Regulator framework and in the determination it has set down for us. For the specifics, I invite Stephen Vlahovic to join us to add to that.

Mr VLAHOVIC: The capital program is behind on account of the amount of solar farms we have had to connect; typically we have not being geared up to perform those connections. This is very much a learning space and new work for us. In order to enable the capital program that we have not been able to get to today, the plans are to get the mechanisms established that will allow us to continue with connections. That will allow us to divert our resources to our regular capital program.

Mr BURGOYNE: Are there any overseas services that you previously utilised, that you are now not able to? I am talking about specialist fields, including people who you would bring in that you have not been able to. What is occurring in that space?

Mr VLAHOVIC: In terms of specialist fields, we use some overseas contractors. They are usually associated with the OEMs for our equipment. They are the ones who have to come and work on their own equipment. In terms of specialist services in Australia, the NT is not unique in needing to connect a lot of solar infrastructure. It is the general drain, if you like, of specialist services in that field, which is really causing us the most grief in being able to deliver what we need to deliver.

Mr BURGOYNE: We are also told that the professional fees are forecast to increase over the next two years and peak in 2022–23 at $44.9m before reducing over the rest of the SCI period. What kind of services are these professionals providing?

Ms STEWART: In particular, Power and Water is cognisant that we are trying to build our human resource capabilities and build our internal capability. That is a very high priority for us. In some instances we are either unable to find that capability within the Northern Territory and bring in professional services. The commentary in the SCI is referring to some of the work where we had to engage specialists in the area of the Australian Energy Regulator to assist us with the compliance and submission work that goes on behind the scenes for the AEI. An extensive submission process goes along with that. We have also engaged professional services to assist us with the operating model transformation program as Jodi Triggs was speaking of earlier. Additionally, we have engaged some specialists in the area of the electricity market reform and the end-term reform we are going through to support the NT Government policies.

Mr BURGOYNE: I also note the capital investment program growth in the Power and Water service capital program has been driven by substation upgrades. How many more substations require or are due for upgrades?

Ms POLLARD: Member for Braitling, I will again hand over to Stephen Vlahovic to respond to that question.

Mr VLAHOVIC: We have one in this regulatory period. We have one more in the north and one we will start in the southern region over the SCI period. There is one in the current SCI period.

Mr BURGOYNE: Is the increase of solar into the grids leading to the need for substations to be upgraded?

Mr VLAHOVIC: It is not so much the solar increase that is driving substation replacement, it is more condition and age of the substation. We have spent quite a lot of money over the recent years bringing the network up to where it needs to be. We do not have a significant amount of work to do in the quantum. But solar is not really driving that. Solar will drive some network componentry that needs to support, but in the substation spend, that is not there.

Mr BURGOYNE: In relation to transformers, I know previously having worked in Alice Springs as an electrician, all the transformers are tapped out because of the power that is being generated by roof-top solar, meaning you have to turn the transformers right down. Where are we at in relation to having to replace transformers as a result of the increased roof-top solar and not being able to tap those transformers down any further?

Mr VLAHOVIC: There are a number of solutions. When we get to the end of our tapping range we can do other things to drive the voltage down other than just tap and replace transformers. There are, potentially, some network elements can put in that will take the voltage down. We can work with the generator to see what it can do to lower the voltage.

My understanding is that in Alice Springs the generator was pretty much as low as we could go. There are some assets we can put into the network to lower the voltage, as well as manage, essentially, the output from some of the solar farms, which can also be used to help manage voltage. That is something that is quite new and developing in the business now.

Mr BURGOYNE: Do you know how many transformers have had to be replaced as a result of not being able to tap them down anymore? I know that was undertaken with some of the older transformers.

Mr VLAHOVIC: I do not have a number. We have not replaced a significant number of transformers on account of voltage issues. We try our other tricks, if you like, in shorting the network run. Shorting the LV run is another way we manage it. We have a few tricks up our sleeve, but what we really need to do is drop the overall voltage, which requires additional infrastructure that we are working on.

Mr BURGOYNE: I know it goes across all three, including TGen. Is Power and Water looking at the increase in the requirement for electricity, especially when we look at things like electric vehicles? I have done the sums. My home would increase by two-thirds—it would triple—the consumption I would have on a daily basis if my wife and I each had an electric car. What are you currently working towards in regard to the increased need for electricity across the grid?

Mr VLAHOVIC: Thinking about the demand, I guess, is where we are really heading here. The demand we are seeing on the network has been flat for the last few years. We are projecting it to stay flat—that is the current forecast.

Yes, there will be an increase if you get an electric vehicle. Instead of being at the fuel bower now, you have to plug it in somewhere. A lot of that energy is being met by the fact our demand has been declining because people have been putting solar on their roofs. With people putting solar on their roofs, they are using that to minimise their own energy costs and are able to do electric vehicle charging and those sorts of things.

Strategically trying to forecast exactly what will happen as electric vehicles come on, where the energy will come from and how the network will cope with that increased need, which is projected to be three or four years out, is still a work in progress.

Mr BURGOYNE: While electricity might be remaining fairly flat, are you seeing increase in peak times?

Mr VLAHOVIC: There is a reduction in peak times because in the NT, when we use our energy, it is in the middle of the day for air conditioning load predominantly. Solar makes electricity in the middle of the day, as a result, it is driving down our peaks.

Mr BURGOYNE: Are we able to get a percentage of solar into the grids? Can you provide me with that? In regard to the Alice Springs, Katherine, Darwin—I am always interested in the percentage of solar.

Mr VLAHOVIC: In our opening statement we covered some figures. It was not broken down by region, but we could provide those.

Question on Notice No 10.4

Mr CHAIR: Member for Braitling, please restate the question for the record.

Mr BURGOYNE: Can you provide me with a breakdown of the percentage of solar into the grids per region?

Mr CHAIR: Mr Langoulant, do you accept the question?

Mr LANGOULANT: I am happy to accept the question.

Mr CHAIR: The question asked by the Member for Braitling has been allocated the number 10.4.

Mr BURGOYNE: Last estimates we were told that, in the coming 12 to 24 months over, 100 megawatts of solar generation was approved for connection and applications. You touched on it in your opening statement. How much solar has come onto the grid in the last financial year?

Ms POLLARD: Since we were last here in December 2020, around 50 megawatts has come onto the system. By that I am talking about the larger scale solar proponent projects. Moving forward, and as Michael Besselink mentioned this morning, we still have a number of connections and projects we are working through. That is around a further 70 megawatts and is in addition to the increases we are seeing with the rooftop PV systems.

Mr BURGOYNE: We are talking about something in the range of 120 megawatts of solar coming on board. How do you see this affecting the stability of the grid? It is often spoken about. Is Power and Water Corporation happy with the stability of the grid? How do you see this increasing solar will affect the stability of the grid moving forward?

Mr LANGOULANT: I am happy for Michael to comment on it. It is an issue we are managing. The government has an objective of 50% renewables by 2030. We will accommodate that. It requires management, not only on a daily basis, but sometimes on an hourly, a half-hourly and a 15-minute basis.

Mr BESSELINK: A number of factors look at stability. Those factors include the ability to pick up generation if other generation falls off. We need what we traditionally call a spinning reserve. It is an amount of energy already on the system we can call upon if something falls off.

What we have to look at on a day-by-day, hour-by-hour basis, is what can fall off. What do we have available on the system to come on if it falls off? What is the ability for that to pick up the energy requirements, frequency and other requirements on there?

All of those things have to happen. At the moment we have some limited tools in place, particularly for any of the behind-the-meter solar stuff. When behind-the-meter solar is during the day and we have a lot of sun coming out, we get a lot of energy coming out of that. With over 120 megawatts of behind-the-meter solar, if clouds come over, that tends to drop off very quickly. It is the job of the people who manage the system to make sure there is enough spinning reserve, so we need forecasting tools and those sorts of things. The stability of the system is being managed with the tools we have at the moment. We are developing better tools, likes all the forecasting tools, to enable us to better have a look and see what we need on at the system.

As we go forward the traditional means of spinning reserve, like gas-fired generators, are starting to slowly be replaced with other systems such as batteries. We have to be cautious about how we introduce these, because these technologies and a lot of jurisdictions are being used in conjunction with other spinning reserve things. In our situation—at one point last year the minimum demand got down to 67 megawatts on our system because the behind-the-meter solar was up demand was quite low. The remaining demand was only 67 megawatts.

If the clouds come over and you lose a lot of the behind-the-meter solar, all of a sudden you are in a position of asking what to do with the available capacity to bring that up again. If we were to replace the 67 megawatts with batteries, for example, we have to be very confident that we do not need spinning reserve generators to do that. That is the process we are working through.

We are managing with the tools we have. At the moment we are building more tools to make sure that as we get further into more penetration of solar, we have better tools to deal with that.

Mr BURGOYNE: Coming from Alice Springs, I am very aware of the spinning reserve and the impact clouds can have on a system. Who has carriage—the Utilities Commission report outlined the need for solar forecasting in Alice Springs. Does Power and Water have carriage of that? Where are we up to in regard to that solar forecasting technology for the Alice Springs grid?

Mr BESSELINK: We are producing the solar forecasting tool; it is on track for being implemented by the end of this month.

Mr LANGOULANT: We have other precautions in Alice. Spinning reserve is a precaution, in light of the circumstances a couple years ago. This is a significant issue; we will need to manage it for some time. At the moment the batteries are extremely useful for maintaining system stability, but they are not adequate for storage. The juxtaposition of the traditional thermal system with renewables is something we will manage for quite a few years. It will not be dealt with over the short term.

Mr BURGOYNE: I am very interested in that solar forecasting. It is being developed and you believe it will start testing as soon as next month in Alice Springs.

Mr LANGOULANT: Yes.

Mr BURGOYNE: That is good news.

Ms POLLARD: The intent is that we will be publishing that information as well.

Mr BURGOYNE: In regard to Ron Goodin, which in my understanding was brought on as a result of the system black event, from a Power and Water point of view, how long do you see the need to have Ron Goodin running? I know we are starting to get into TGen, but you have staff there …

Mr LANGOULANT: As long as necessary.

Mr BURGOYNE: In the forecast—that was a question I had for TGen. All of a sudden it has changed from Ron Goodin needing very little maintenance over the forward period, to needing a lot of maintenance. The Power and Water staff at Ron Goodin—are you now effectively expecting them to stay on for a much longer period and what was initially thought?

Ms POLLARD: Power and Water Corporation does not have any staff working at Ron Goodin power station. We have staff working adjacent to Ron Goodin at Sadadeen and the substation, but at Ron Goodin, they are Territory Generation employees.

Mr BURGOYNE: Has Power and Water Corporation ever paid any money to Jacana as a result of incorrect metering being set up at a premises?

Ms STEWART: The separation of Jacana and Power and Water a few years ago was a long process and meant that the two businesses were still connected for some process for several years. As we have been working through the separation—and we are officially fully separated now, in the back end as well as the front—there have been data cleansing exercises and all of those sorts of things that go along with that IT exercise. On occasion we have found that meters have not perhaps been correct. In those instances we have figured out the correct payments that should have been made between both parties and we have settled those to the best of our abilities.

Mr BURGOYNE: I am very interested in the fact that if it is a clear Power and Water fault that the meter was set up incorrectly, then all of a sudden a customer is back-billed— I have been made aware of situations where it can be up to five years—is Power and Water ever made liable as a result of an employee doing the wrong thing? I am interested if that has ever occurred. Power and Water Corporation did the wrong thing and as a result someone has been back-billed thousands of dollars. Has Power and Water Corporation ever paid monies to Jacana as a result of that?

Ms POLLARD: I think it is case-by-case specifics and not just limited to Jacana Energy. Power and Water is the metering provider as well as the metering data provider. We also have other retailers we work with in the Territory as well. If the customer's relationship is largely through their retailers—if a customer finds an issue with their meter they would go back to their retailer, then we work through the issues with the retailers and, ideally, resolve them.

Regarding the specific amounts of back-billing and over what periods, I probably cannot go into the specifics of that here this morning, but it is fair to say we are—and a lot of this is being driven by the national electricity rules we are required to comply with moving forward. We will see some tightening and improvements with that. We have spoken about our ICT program and solutions moving forward into our transformation program. One of the significant initiatives there is to improve again, in this space, is our meter-to-cash initiative, which goes to the heart of a system to manage—significant volumes of meter data, but also our billing system.

Mr BURGOYNE: What is the current progress on the Katherine PFAS treatment plant?

Ms POLLARD: I will invite our executive general manager of Water Services to join us, because I was expecting that we would get to some water questions. I am pleased to report I was in Katherine a couple of weeks ago having a look at the progress on the Katherine PFAS treatment plant and I am pleased to say that construction works are very well under way, and we are looking to finalise and have the treatment plant commissioned by the end of this calendar year. That is good progress all around. I will allow Steven Porter to add any further comments.

Mr PORTER: The Katherine PFAS plant is a significant project with cutting edge technology. There is no other plant of this size in the world, that we are aware of, to treat contaminated soil for PFAS. It has taken a bit of time to get going but all of the tenders are let for it. A lot of it has gone to local companies, which is a real positive for the Northern Territory. The work has started, the ground works are under way and we are working towards having the construction completed by the end of the year with the commissioning period to follow after that.

Mr BURGOYNE: It was initially meant to be the middle of the year. That has now pushed back to the end of the year. Then is there a commissioning period of two to three months?

Mr PORTER: That is correct. It will take that long, yes.

Mr BURGOYNE: The concept-level estimate for this facility was approximately \$15m–\$16m. What is the expected actual cost of the Katherine PFAS facility?

Mr PORTER: The total cost of the project will be somewhere between \$22m–\$24m.

Mr BURGOYNE: Is there is a reason for that cost blowout or is it just what it ended up costing?

Mr PORTER: As you described, the initial figure of \$15m was a concept-level estimate produced back in 2017 by the same company Defence was using to do their treatment of the PFAS plant. This was a cutting-edge plant. No-one had an idea at the time—even the company at the leading edge—what it would take to deliver on a project of this size and complexity. That was the estimate at the time. But when you look into the details of what it takes to run and treat contaminated water to the level we are looking to do it, the estimate has evolved as the design as evolved.

Mr BURGOYNE: In October last year, a spokesperson for Power and Water Corporation explained to ABC Radio Darwin that the corporation was in the process of replacing 10,000 faulty water meters. At last estimates, Power and Water Corporation had replaced about 6,000 of the 10,000 faulty meters. Have the remaining 4,000 meters been replaced?

Mr PORTER: My understanding is that we are close to finishing that 4,000. I am not sure of the exact figure, at this stage. We were making progress over the course of the year. I would have to confirm that.

Mr MONAGHAN: What was the cause of those faulty meters?

Mr PORTER: There were mechanical issues we were trying to work our way through. It was never confirmed and we entered into a commercial arrangement with the company. I cannot really talk about that much further.

Mr MONAGHAN: Was it a consistent batch from a particular company?

Mr PORTER: That is correct. It was a batch that came through over a year or two. The process that we put in place—and we have for quite a long time—is to look at testing segments of those batches each year. On that information, we then work out how they are going and when they need to be replaced.

Mr BURGOYNE: Have you been paying subcontractors to complete those works? Or have Power and Water Corporation members been completing those works?

Mr PORTER: That has been contracted out to contractors.

Mr BURGOYNE: How much has that cost?

Mr PORTER: The total replacement cost, as I mentioned to the committee last year, would be in the order of $400,000 to $500,000.

Mr BURGOYNE: Are we on track to meet that projected $400,000 to $500,000? How much has been spent to date?

Mr PORTER: I am sorry, Member for Braitling, I do not have that exact figure.

Mr BURGOYNE: Are you able to take it on notice?

Mr PORTER: Yes, we can take that on notice.

Question on Notice No 10.5

Mr CHAIR: Member for Braitling, please restate the question for the record.

Mr BURGOYNE: To date, what has been the cost of replacing the faulty water meters?

Mr CHAIR: Mr Langoulant, do you accept the question?

Mr PORTER: Yes.

Mr BURGOYNE: That is in regard to the bad batch.

Mr CHAIR: The question asked by the Member for Braitling has been allocated the number 10.5.

Mr BURGOYNE: Are you intending to recover these amounts? I know that the deal you have made with the supplier is probably commercial-in-confidence. Or will Power and Water wear that cost?

Mr PORTER: That was a commercial settlement and I am not in a position to comment on it.

Mr BURGOYNE: I understand. It is so often the answer these days. What was the total spend settling legal matters in this financial year, up to 31 May, if you have those financial figures?

Mr LANGOULANT: For the whole corporation?

Mr BURGOYNE: Yes.

Ms STEWART: It will take me a minute to find it.

Ms POLLARD: Martha should be able to provide that answer very soon.

Mr BURGOYNE: While she is finding it, I will comment that Josh Zema is an outstanding worker at Power and Water Corporation. I had the pleasure of working with him during his apprenticeship. As you said in the beginning, it is always good to finish off on a good point. Congratulation to Josh, who lives in my electorate of Braitling. It is good to hear a good news story.

Mr LANGOULANT: Could I suggest you taught him everything he knows?

Mr BURGOYNE: Certainly not.

Mr MONAGHAN: Could you outline some of the new research into the water sector—optimising our resource capability or extending some of it that is being looked at by Power and Water?

Mr PORTER: Power and Water is very active in the area of research and development on water. We currently have four projects on the fly looking into how we can do better in the way of treatment and service. There is a unit being set up in Ali Curung to look at treating the various properties of water to make it more compliant with the Australian Drinking Water Guidelines. We are in the process of signing and finalising an agreement with University of Queensland and WA Corp to look at a different technology of removing nitrates and heavy chemicals from water.

We are particularly proud of an in-house project. Engineer, David Sweeney in Alice Springs, has been trialling technology to extract chlorine from rural water as opposed to bringing chlorine into the system. We are close to having that process stabilised.

We have a trial under way at Leanyer-Sanderson to look at better treatment of waste water.

For a corporation of our size, having four research projects under way at the same time is impressive and a credit to the people in the organisation, who are involved.

Mr MONAGHAN: Is groundwater seeding a part of that research?

Mr PORTER: That is not one of our current projects.

Mr MONAGHAN: Not under consideration?

Mr PORTER: No.

Mr CHAIR: Ms Stewart, did you have an answer to the previous question from the Member for Braitling?

Ms STEWART: I refer to the last question from the Member for Braitling. From 1 July 2020 to 31 March 2021 a total of $1,615,052m exclusive of GST was spent on total legal costs paid to external legal firms and barristers.

Mr BURGOYNE: Are you able to give us some idea of how many apprentices, employed through Group Training Northern Territory, are taken up by Power and Water Corporation?

Ms POLLARD: Over the years we have had a longstanding relationship with GTNT which, in the most part, employs our apprentices and our role is to be the host. I cannot quote the exact numbers, but a fair percentage of the apprentices we host through the GTNT programs have become employees at Power and Water. I am pleased to say that we have 21 apprentices and trainees with Power and Water. We have more recently reinstated our graduate program to continue to grow our own in the Territory and provide employment opportunities and clear pathways moving forward.

Mr CHAIR: The time is fast approaching 10 am and we have a changeover before we consider questions to Jacana. On behalf of the committee, thank you, Mr Langoulant for appearing today and to your officers who have done, no doubt, a power of work behind the scenes.

Mr LANGOULANT: Thank you.

The committee suspended.

JACANA ENERGY

Mr CHAIR: We will now examine Jacana Energy. I welcome Mr Noel Faulkner, Chairman of the Jacana Energy Board. Mr Faulkner, please introduce the officials accompanying you today.

Mr FAULKNER: On the left is Louisa Kinnear, Chief Executive Officer; next to her is Andrew Lewis, Chief Financial Officer; and on my right is Trude Blizzard, Acting Executive Manager Operations.

Mr CHAIR: Mr Faulkner, I invite you to make a brief opening statement and then I will call for questions relating to the statement. The committee will then move on to consider questions regarding the corporation's 2021–22 Statement of Corporate Intent. I will then invite the shadow minister to ask questions first, followed by committee members. Following that, other participating members may ask questions. The committee has agreed that members may join in on a line of questioning pursued by a shadow minister.

Mr FAULKNER: On the performance of the corporation in the current financial year, in customer satisfaction, which is a key indicator we keep track of—I mentioned it in December last year—we use a metric called NPS to measure that, or Measure, which is used by a number of utilities and retailers, not just in the utility sector.

Our performance in that space has improved even more since last year, so we are pretty happy with that result. Full credit to Trude and her staff for in the contact centre. They are the people who have direct contact with our customers on a day-to-day basis. The performance improvement and performance overall is largely attributable to their efforts, I think.

Our financial performance, of course, is another key metric for us. We are finding in the current financial year we have two cost lines impacting our performance. One is the network charges to pricing order customers. That is significantly in excess of the estimate for the period. The other one is the rooftop PV feed-in—that is the amount we pay for the energy that is fed into the system by people with rooftop solar systems. Both those costs are significantly in excess of budget. Those costs are reflected in the CSO, by the way, as well.

As I mentioned in December DTF has agreed that this financial year and going forward they will adjust the CSO based on actual costs. At the moment, we are working with DTF to determine what that adjustment will be for the current financial year. Until we have that information, of course, we are not in a position to give a firm forecast for our financial position at year end.

They are the main indicators that we focus on in our performance. We have, over the last 12 months in particular, have been focusing on a couple of areas which are particularly important, given the impact of COVID, not only on the Territory but internationally. We are mindful of the financial situation of residential and business customers that results from COVID. We have been really focused on assisting Territorians to manage that impact.

Trude and her team, in particular, have developed a strong focus on supporting families and small businesses experiencing financial hardships. That has included a number of plans and payment arrangements, together with putting on additional specialised support staff to provide for customers who are facing those difficulties.

The second area of focus this year has been on enhancing customer access to digital service channels. That will provide a customer experience for Territorians. It has been available for most of the rest of Australia for a number of years. We are particularly proud of the work we have been doing in that space. At the same time, however, we are mindful that there are some customer segments that prefer the traditional methods and we will maintain that access to our services as well. An example of our success in that space has been that about 50% of our customer base have signed up for email accounts. I have never seen a percentage that high.

I will ask Louisa if she wants to make a couple of comments on those last two issues I have raised and then I am happy to take questions from the committee.

Ms KINNEAR: It has been a unique year, given the impact of the pandemic. We are acutely aware of the impact of that on customers. We shifted to a more proactive approach to identify customers experiencing hardship through this period and make sure we work very closely with them to manage any outstanding debts and ensure they do not continue to experience hardship beyond the period.

That resulted in another improvement in our customer satisfaction and performance rating scores. We have achieved that on the back of a lower cost to serve for the second year running. I reiterate that our customer care team has done a fantastic job during this period in order to support our customers and that is reflected in the customer satisfaction scores.

We have a continued uptake in our digital channels. We particularly focused on providing our customers with online access to their standard account information. We have done a lot of promotion and had good, strong uptake. We introduced Facebook Messenger as a service channel and again, that has worked very well—probably for the younger generation who enjoy using it more than the older ones. We are also revamping our website to make it a much more customer friendly experience. That is starting to be reflected in our figures. We look forward to continuing to maintain that level of customer service.

Mr FAULKNER: We have some statistics in terms of the outstanding debt for business customers, which also potentially flag the success of the government's Business Hardship Package, where the outstanding debt of business customers has actually declined over the last 12 months. That is an excellent outcome in terms of the results from that program.

Mr CHAIR: Are there any questions on the opening statement?

Mr BURGOYNE: The change in forecast earnings before interest and tax from the SCI 2020–21 is nothing short of astonishing. Last year's Statement of Corporate Intent was only forecast to increase to $2.4m in 2022–24, whereas in the latest statement it will be $25.1m. Can you please explain the turnaround in forecast EBIT?

Mr LEWIS: Which line of the financial statement were those numbers coming from?

Mr BURGOYNE: I am looking on page 10 of the Jacana Statement of Corporate Intent 2021–22. Then I am referring to page 11 of 2020–21. They are very different forecasts so I am curious as to what has changed seeing as Jacana—either you are charging more for electricity or …

Mr LEWIS: That is not the case, of course. The majority of those savings are being driven by reduced estimates on our generation costs. We have a slightly revised unit rate from some of our generation suppliers. Also, the latest pricing determination, PWC's pricing proposal for the coming year, the unit rate tariff rates are reducing based on previous estimates.

Mr BURGOYNE: Where do you get your electricity from and then sell on Jacana?

Mr LEWIS: A number of providers. The majority is Territory Generation.

Mr BURGOYNE: That unit cost is reducing?

Mr LEWIS: From one estimate to the next, yes—from one year's forecast to the next—that is right.

Mr BURGOYNE: By 10 times? From my calculations here—I am trying to understand and do not think it has been laid out properly. I will make it very clear. In 2023–24 of the previous Statement of Corporate Intent, EBIT was only set to be $2.4m. It is now set to be $25m. That is a huge turnaround. We put out last year, 'This is what we expect to happen'; we put out this year, 'This is what we expect to happen'. It has changed remarkably. I am trying to better understand, if you are getting such a reduced rate from Territory Generation for the electricity you then pass on to people, I am curious as to how that has happened. I can ask them when they come in how they have been able to achieve such a remarkable decrease in the cost of their electricity. Is that the main reason you can see why things have changed so remarkably over one year?

Ms KINNEAR: Between the network costs and our generation costs, they account for 92% or 93%.

Mr LEWIS: It is 88% to 90%—90% is a good ballpark.

Ms KINNEAR: It is around 90% of our total cost base. If we see shifts in costs or they differ from our forecast assumptions for those years, it can have a significant swing in our overall operating profit. I need to advise that in terms of Territory Generation providing a reduction in the unit cost, it is a reduction from forecast, so we would have forecast an actual unit cost associated with the supply of electricity from Territory Generation, and they have come back with the cost that is lower than what we forecast. That is not to say that cost is lower than what we are currently being charged.

Mr BURGOYNE: I understand there is a lot of commercial-in-confidence here, but are you able to give me, as a percentage, the cost that has decreased per unit?

Ms KINNEAR: From forecast—I do not believe that we can.

Mr LEWIS: Looking out to 2023–24, which is a number of years from now, even a small percentage decrease in the unit rate compounded over those years, so every year the increase will be less, that makes it much more significant in the outer years of the SCI. I do not think it is quite right to say a 10% drop in the overall cost of sales in 2023–24 is because of a 10% drop in the unit rate of generation you are paying that year, so you cannot quite match the two.

Mr BURGOYNE: Even if we were to look at the 2021–22 period versus last year's report to this year's report—the forecast for this coming financial year was $1.9m EBIT. In this current EBIT, 2021–22, it is $9.8m. It is a huge turnaround from $1.9m to $9.8m in the space of the year. You are expecting forecast for last financial year to be $1.9m EBIT—earnings before interest and tax. That has hugely increased. I think it is important that we understand why that happened. There are only a couple of factors that Jacana has to play with, which is how much you pay for the electricity and how much you sell it for. That is what I am trying to understand exactly. What is happening and what is projected to happen over the forward estimates?

Mr LEWIS: Jacana Energy operates on very thin margins. You probably have access to the confidential version of the SCI, but I will not talk about those numbers here. In regard to total revenue and cost of sales, we are talking about hundreds of millions of dollars over an annual period. Those two numbers are very close, which means our gross margin is a very small number—single digit millions, or tens of millions. Even a small percentage move in your class of sale, say 1%, will have a much more significant impact in dollar terms on your margin numbers.

Mr BURGOYNE: Just so that everyone is aware, I have the public versions of the Statement of Corporate Intent.

When we break all this down, what is the overall net debt or profit that Jacana is currently sitting on?

Mr LEWIS: Are you asking for year-to-date number?

Mr BURGOYNE: Yes, the most up-to-date figure you have when we talk about net debt.

Mr LEWIS: We do not hold debt on a balance sheet. We do not have any loans or overdrafts, so that is zero.

Ms KINNEAR: We are currently finalising our year-to-date figures. We go through a process with the Department of Treasury and Finance to provide us with our final position on the CSO for the year. That has not yet occurred and cannot be finalised until the end of the financial year, while we wait for June figures. As a result we cannot give an actual year-to-date figure that includes the CSO, as our chairman has mentioned.

Mr FAULKNER: Historically the profit for Jacana has been around about $7.5m per annum.

Mr BURGOYNE: That is what I am trying to get to. What happens with the $7.5m?

Mr FAULKNER: Fifty per cent of that is paid in dividends to the government. Also a couple of years ago we paid a special dividend of $20m to the government.

Mr BURGOYNE: The cost to serve was spoken about before and I was a bit confused with some of the statements that were made. When I look at the cost to serve in the previous Statement of Corporate Intent it was set for 2021—22 this financial year to be $185 per customer. It is now set out to be $194 per customer. When I look down the page, the grade of service as a percentage was set to be 70%. It is now 65%. Is it my understanding that the cost to serve is increasing and the grade of service is decreasing?

Mr FAULKNER: The cost to serve has decreased over the last 12 months, and I should have mentioned that when I spoke about the NPS result in terms of our customer experience, our customer satisfaction. It has dropped from $195 to $186. We are comfortable that figure will continue to decrease. The grade of service—there are a number of metrics we use to measure our contacts at a performance.

The grade of service is one; the abandonment rate is another and you will see that the abandonment rate, the target, was 5%. We are achieving about 3% or 3.5% there, so that is ahead of target. A third one we have introduced just recently as first core resolution that is what percentage of the customers are calling, get their matter dealt with on the first contact with Jacana Energy. The first-call resolution is running at about 84% at the moment. We are not overly concerned about the GOS, we have actually dropped the GOS back a bit because the abandonment rate is still well below target and the first-call resolution and the net promoter score are well ahead of our piers. What that has done has helped us reduce the cost to serve so we have been able to reduce the number of contact centre staff as a result of that.

Mr BURGOYNE: Is it fair to say that the numbers I have before me are incorrect because the projected 2021–22 cost to serve figure is $194. You are now saying that the 2021 figure is down from—in here it says $193 down to $186.

Ms KINNEAR: The cost to serve is driven by two variables. One is how much our operating costs are for the year, the other one is a number of accounts that we have with customers across the Territory. On this occasion we have come under budget, so we have reduced our operating costs for this financial year. In addition we have seen some account growth in the Northern Territory over the last six months. Both of those have contributed to the reduction in cost to serve. Compared to what we would have forecast when the CSI was submitted some months ago, we would not have necessarily had the figures at hand in terms of the number of accounts growing. Ideally, we would like to come under the $194 for next financial year, but that information is only correct at the time it is published and based on the assumptions we make at the time.

Mr BURGOYNE: You are aware they are the assumptions that I am going off when I ask these questions. It is good to see you that you are outperforming them, in some instances.

Mr CHAIR: Can I ask about the NPS, the net promoter score, do you have a number?

Mr FAULKNER: Yes, we have. It is plus 54.

Mr CHAIR: Plus 54.

Mr FAULKNER: Yes, which is unheard of.

Mr CHAIR: Can you give us some context because plus 54 …

Mr FAULKNER: (Inaudible – mic off.)

Mr CHAIR: Sorry. Maybe that is commercial-in-confidence.

Mr FAULKNER: (Inaudible – mic off.)

Mr CHAIR: The context around—whether it is Qantas or other banks I always see a good comparison with NPS, if that is okay? Please turn on your microphone.

Mr FAULKNER: My apologies. One of the issues for the current year is the work we have been doing on the hardship issues with customers that we met before. There is an AER determination or direction not to disconnect customers during the COVID-19 pandemic, which has helped our score.

Ms BLIZZARD: The year-to-date NPS, to the end of March, is sitting at 49 with a first-call resolution percentage of 84%.

Mr CHAIR: Do you have any comparable data? For example, I have been dealing with people not being able to pay their debts to banks. Should I just google it?

Ms BLIZZARD: In terms of industry benchmarks?

Mr CHAIR: Yes.

Ms KINNEAR: You can google this and probably prove me slightly wrong, but in the retail industry, particularly for the large energy companies on the east coast, their NPS scores are often below zero or slightly positive. In terms of industry performance, we would be performing very well in comparison to our peers in other jurisdictions.

Mr CHAIR: A positive NPS is, in itself, a good score.

Ms KINNEAR: It is a great score.

Mr CHAIR: A positive 54 is remarkable and from my perspective, it is about the quality of data. You are asking customers to rate you. I understand there is a quantity of data we can review and X minus Y equals Z but this is interesting customer service feedback tool that is important for an outward-facing customer service business.

Ms KINNEAR: Yes.

Mr BURGOYNE: I am interested in how the guidelines you operate under. What are the rules that govern Jacana and how far you can go back to bill someone?

Mr FAULKNER: With the current arrangements, or contracts you might call it—I think we call it a customer charter—there is no limit to how far you can go back. We would not want to do that and we are currently negotiating a network access agreement with Power and Water Corporation, which limits how far it can go back to charge us for any undercharging, in particular. We would reflect that in our dealings with customers.

Ms KINNEAR: It is common practice that we would not go any further back than about nine months.

Mr FAULKNER: Nine months is built into the national electricity market.

Mr BURGOYNE: That was what I was trying to get at. The national electricity market states nine months?

Mr FAULKNER: The NERL talks about nine months and in our negotiations with PWC in terms of backfilling for network charges, we have taken that figure. The Essential Services Commission, I think in South Australia or Victoria, is moving towards three months. It has reduced that period even further.

Mr BURGOYNE: I know we do not like to talk about specific instances in estimates, but I know of an instance where someone has been back-billed five years, culminating in a bill of $15,000. Everything you stated, the fact it should only go back nine months, how does the board react when you hear about someone being back-billed for five years?

Ms KINNEAR: I am aware of that instance. From our perspective, that is not a great customer experience. We worked collaboratively with Power and Water Corporation, which is the meter manager and owner, to come to a more acceptable solution for that customer which works within the realms of the nine months we have spoken about. We have ensured that the customer will not be impacted; the expectation is that they will not have to pay the amount indicated.

Mr BURGOYNE: That is fantastic news; I am very glad to hear that. You have floored me. I had all these other questions lined up because I was not expecting that answer. Thank you for surprising us. It is always good to be surprised.

How much has Jacana spent on Territory consultants, and how many were interstate, in the last financial year?

Ms KINNEAR: I will pass over to the chief financial officer to respond to that one.

Mr LEWIS: You want to know how much was spent on Territory consultants and how much in total?

Mr BURGOYNE: I would like a breakdown of Territory consultants versus interstate consultants.

Mr LEWIS: For the year to 31 March, Jacana Energy spent $925,000 in total on contracts and consultants. The total for the Territory spend is $51,000 of that $925,000.

Mr BURGOYNE: We are spending a lot more on interstate consultants. Is there an aim to improve that?

Ms KINNEAR: Yes, absolutely. It is very important that we identify local providers who can provide services to us. Local provision is a key requirement of our procurement program and the key criteria we use to assess tenders when they are in the market.

The challenge we often face within the energy industry in the Northern Territory is that we require very specialist consulting input from electricity industry experts. As a result, some of the larger contracts can only be provided by those companies in other jurisdictions. Having said that, being an NT Government-owned company, we need to ensure that, where we can build that capability within the Northern Territory, we are supporting that.

Mr FAULKNER: Can I ask Andrew to provide some clarification on that response, please?

Mr LEWIS: Of that $925,000, $124,000 was for an individual contractor who resided in the Territory for the full term of that contract period. He was an individual who lived in the Territory. A lot of that money would have gone back into the Territory. He is from interstate and he has now returned.

Mr BURGOYNE: Thank you. I appreciate the honesty about the figures.

Jacana has recently awarded a tender to a Brisbane-based company for the provision of website development services totalling $158,760. Is Jacana bound by the Northern Territory Government procurement processes when it comes to these sorts of tenders?

Mr FAULKNER: We had the opportunity to develop our own procurement process, which we have done. That has to be approved by the shareholding minister. Having said that, Jacana's process reflects the requirement to weight according to whether they are Northern Territory or not. Did you want a comment on this specific contract?

Mr BURGOYNE: It has been brought to my attention that a number of NT companies responded to this tender. I am interested to see whether Jacana is bound by the new Northern Territory Government procurement processes? If you are not, what are your procurement processes?

Mr FAULKNER: They reflect those processes.

Mr BURGOYNE: You are not bound by the Northern Territory Government ones? You have your own which are similar?

Mr FAULKNER: It has to be approved by the shareholding minister and we make sure that they reflect those government principles.

Mr BURGOYNE: Did Jacana ever sell electricity at less than the cost that they received it? You might pay a certain amount for electricity. Are you ever selling that electricity at a loss?

Mr FAULKNER: No, we never sell with a negative margin.

Mr BURGOYNE: Not even to business customers.

Mr FAULKNER: No.

Mr BURGOYNE: I am glad to hear that.

Mr BURGOYNE: How many billing complaints has Jacana received for the financial year to date?

Ms BLIZZARD: Year to date, we have received a total of 373 billing complaints, of which 56% is billing-related.

Mr BURGOYNE: How many have been raised with the Ombudsman's Office?

Ms BLIZZARD: As at 31 March, we had received six complaints via the Ombudsman's Office.

Mr BURGOYNE: This is something I am interested in. What measures are in place to ensure that bills are going out in a timely manner? Because many people have spoken with me about receiving their bills as they are due; their neighbours are getting them at the beginning of every month and they are not receiving them. We are constantly being told it is between Power and Water and Jacana and the way in which the systems talk to one another. What measures are in place that ensure that bills are going out in a timely manner?

Ms KINNEAR: We are well aware that this has been a source of frustration for many customers, particularly during the COVID period. As a result of Australia Post's change in priority mail service, sometimes by the time our bills get to some customers, they are very close to or, in some instances, past the due date. We are continuing to work with Australia Post on that issue and are continuing to assess opportunities to print more bills out of the Northern Territory to reduce that impact—as they are printed on the east coast.

For customers who have experienced that, we do not request that they pay immediately. They can request a payment extension through our customer care or online and we will ensure they have more time to pay. It is an issue we are aware of and looking to resolve as quickly as possible.

Mr BURGOYNE: A lot of customers choose to use BPAY now. Are there processes being formulated so that someone can pay on a certain date—you may not receive it until after the date—and they receive a follow-up? Are you working on those processes so that people are not constantly being told, 'You need to pay your electricity bill', when, in fact, they have?

Ms BLIZZARD: We are reviewing those processes, particularly going into the new year. We are planning to change some of the timings for reminder notices and the method of delivery. Payments clear into our system overnight so, at times, it is possible that a customer might receive a reminder notice after they have made the payment. That is fairly rare, though.

Mr BURGOYNE: At last estimates, we were told there were 922 customers who were not billed between October to December 2020, equating to 2% of customers. Have these figures improved? How many people have not been billed to date for this last financial year?

Ms BLIZZARD: I am pleased to report that those numbers have improved significantly. We have processes in place to identify accounts that have not been billed for some time. As at 31 March, that was 0.38% or a total of 331 accounts that had not been billed for more than 120 days. It is important to point out that 85% of that was sitting within the 120 to 180-day mark. Those are actively managed by our internal billing team.

Mr BURGOYNE: To confirm, 331 were not billed for over 120 days. Do you have the total amount outstanding for those 331 customers?

Ms BLIZZARD: That is not information I have on hand.

Mr BURGOYNE: Are you willing to take it on notice?

Ms BLIZZARD: I am.

Question on Notice No 11.1

Mr CHAIR: Member for Braitling, please restate the question for the record.

Mr BURGOYNE: For the 331 customers not billed for 120 days in the last financial year, what is the dollar amount outstanding?

Mr CHAIR: Mr Chairman, do you accept the question.

Mr FAULKNER: I do.

Mr CHAIR: The question asked by the Member for Braitling has been allocated number 11.1.

Mr BURGOYNE: What percentage of customers has moved to paperless billing? Last year it was 30%.

Mr FAULKNER: That is the 41–50% number I mentioned before in e-billing. That is extremely good result. I am not too sure how it compares to other utilities but it has to be up there with the best.

Mr BURGOYNE: What are the anticipated savings from this?

Ms KINNEAR: My understanding is that for every 1% increase in the number of customers on e-billing, it is a saving to Jacana Energy of about $7,500.

Mr BURGOYNE: At last estimates we were told the savings from 30% was $338,000. I want to confirm those figures. With the additional 10% to 20%, we are not making as much in savings as we were last time. It is only $7,500 now?

Ms KINNEAR: For every 1% increase.

Mr CHAIR: It e-billing at 50%?

Ms KINNEAR: Correct. We have just over 50%. It is about 46,000 on e-billing.

Mr CHAIR: The 1% equals $7,500—$375,000.

Mr BURGOYNE: What is the current full-time employee count for Jacana?

Ms KINNEAR: It is about 67.

Mr BURGOYNE: Is this an increase or a decrease on the previous financial year?

Ms KINNEAR: It is a decrease.

Mr BURGOYNE: Of how many?

Ms KINNEAR: It depends on the date you are referring to.

Mr BURGOYNE: The end of financial year, I guess.

Mr LEWIS: Total number of FTEs as at the beginning of this financial year was 70.7. That has reduced to 66.8 at the end of March. That is the 67 number Louisa just mentioned. It has reduced by about three or four.

Mr BURGOYNE: What is the current staff turnover for the contract centre only at Jacana?

Mr LEWIS: Based on a calculation of total number of separations and resignations divided by the total number of FTEs in the organisation, on year-to-date, 31 May basis, turnover percentage in the operations area, business unit, is 20.7%.

Mr FAULKNER: I will ask Trude if she has information on other contact centres, because by itself 20% seems high. My understanding is it is fairly typical for contact centre turnover.

Ms BLIZZARD: I do not have the figures on hand. I know that compared to industry it is a very typical number.

Mr BURGOYNE: Your customer service obligation—can I get an idea of how that is increasing or has increased over the few years and what you are expecting that to look like into the future?

Mr LEWIS: The CSO has remained relatively consistent from the financial year 2016–17 to the budgeted CSO in the 2021–22 SCI. That is between $77m and $79m. The one year where there was a variation on that was the 2019–20 year, where the CSO was $91.9m. That was driven by a prior year adjustment for undercharged network costs from PWC. The additional costs that came through the pricing order tariffs year were compensated back to Jacana through an additional CSO for that year.

Mr FAULKNER: There are lots of movements within that number. Year on year. Every generation, price goes up; sometimes the network prices come down. The CSO looks as though it is stable, but there are significant variations.

The other issue in early years—we were paid the CSO based on budgeted consumption figures rather than actual consumption figures. Inter-year we could see variation of the CSO of about $8m as a result of that. One year we might come in under budget consumption, the next year we are over budget consumption. That has resulted in a variation year on year of up to about $8m, historically.

Mr BURGOYNE: You must have a forward projection for your CSO. Are you able to give me that number for the forward estimates?

Mr LEWIS: That is one of the revenue lines in our Statement of Corporate Intent—is it commercial-in-confidence? Can I reveal this?

Mr FAULKNER: I thought it was commercial-in-confidence.

Mr LEWIS: It is part of the confidential pages on the SCI document.

Mr BURGOYNE: It is not part of the public one that I am scrolling through here? Are you expecting to see an increase in that CSO over the forward estimates?

Mr FAULKNER: We have very little control over the components of that. The majority of the cost, as Louise indicated previously, are network costs and generation costs. It depends on where those costs go over the forward estimates.

Mr BURGOYNE: I guess it comes back to the EBIT. I am trying to understand and extrapolate those figures. Are you expecting, in the forward projections, for the CSO to increase over that same time, from now until 2024–25, or you expecting it to stay flat? You must have projections.

Mr FAULKNER: That is correct, but is that just asking the question in another way?

Mr BURGOYNE: You could argue that, but I am not asking for the CSO. I am purely asking for a better understanding of what the full projections are without giving away any commercial-in-confidence material.

Mr FAULKNER: The problem we have is that those forward forecasts vary year on year. If TGen changes its prices going into the next SCI, that throws everything in a twirl. It is the same with the network prices if they change. As we bring on more solar power, that will help to decrease the cost of generation. That in turn will help reduce the CSO. Network charges and TGen charges are a huge component of that number.

Mr BURGOYNE: What is the role Jacana plays in working towards that target of 50% renewables by 2030?

Ms KINNEAR: Given that we are in a position to procure energy from a number of sources, we see ourselves playing a role in assisting the government to achieve that target.

Mr BURGOYNE: What was the last financial year’s amount of electricity that was sourced from renewables?

Ms KINNEAR: Our total wholesale portfolio is around 4%. When the three solar farms are generating at full capacity, that will move up to 8%.

Mr BURGOYNE: And the projected percentage?

Ms KINNEAR: In our current portfolio, with the three solar farms coming online, it would double and go up to just over 8%.

Mr BURGOYNE: Without giving away any commercial-in-confidence information, is it more expensive to purchase gas-fired power from TGen or renewable energy from solar farms?

Mr FAULKNER: I am not giving away any commercial-in-confidence information by flagging that solar pricing is lower than TGen’s prices. We also need to keep in mind that TGen is being called on to provide additional spinning reserve in relation to the commissioning testing going on, for example, in Katherine. You have to factor that into the consideration of TGen’s price.

Mr BURGOYNE: Are you able to give me an idea of the solar farms you are drawing from?

Mr FAULKNER: Of their price?

Mr BURGOYNE: Not their price. I am interested in which ones we are drawing from, because there is talk all the time about some being tested, some not on the market. Where does Jacana draw that energy from?

Mr FAULKNER: The only one we are drawing anything from is Katherine. We are paying a commissioning rate for that energy.

Mr BURGOYNE: Any idea on how many kilowatt hours, or megawatt hours, you are drawing?

Mr FAULKNER: It is fairly marginal; it is not significant.

Mr BURGOYNE: I can go back and look at how much in total—that was interesting. How much electricity was sold in 2019–20 and how much are you projecting to sell in 2020–21? For the last financial year and the current financial year, are we seeing an increase in the amount of electricity that is being sold?

Mr FAULKNER: The mass market consumption is down 2020–21 compared to 2019–20. CNI is down slightly or on target?

Mr LEWIS: That is right and those trends are correct. As more solar penetration happens on residential and business rooftops, we are seeing the total volumes we sell to our customers decreasing year on year.

Mr FAULKNER: The mass market consumption is driven a lot by weather patterns as well.

Mr BURGOYNE: Essentially you are selling less electricity and yet forecasting more revenue?

Mr FAULKNER: For which year?

Mr BURGOYNE: Forward estimates. Your earnings before interest and tax are set to increase, but at the moment, we are selling less electricity.

Mr FAULKNER: The figures I spoke about before were 2019–20 compared to 2020–21. I will ask Andrew to comment on the forward estimates of consumption.

Mr LEWIS: There is a marginal growth assumption in revenue going into the out years of the SCI. That is based on things like CPI affecting the pricing order and DTI-published economic data on population growth rates.

Mr BURGOYNE: Has Jacana sourced any electricity from the Uterne solar facility in Alice Springs?

Ms KINNEAR: No, we do not.

Mr BURGOYNE: It is only the Katherine Solar Farm that Jacana is drawing any electricity from?

Ms KINNEAR: Correct.

Mr YAN: A follow up on the Uterne facility in Alice Springs—that facility is a one-megawatt facility or very close to it. Where is the power from that solar farm going if you are not drawing on it?

Ms KINNEAR: We do not have a contract for that so cannot comment on who is the off-taker.

Mr BURGOYNE: You are saying you will double from 4% to 8%. What solar farms are you hoping to draw from in the near future?

Ms KINNEAR: In relation to the 8% or beyond that?

Mr BURGOYNE: In relation to that doubling of your energy being sourced from renewables.

Ms KINNEAR: That accounts for an increase in rooftop solar, and also includes the Katherine, Batchelor and Manton solar farms.

Mr YAN: You spoke earlier about your billing and the bulk post coming out of the east coast. I take it that the data is going across to someone on the east coast for the bills to be produced there and then posted back to the Northern Territory. Am I correct in that?

Ms KINNEAR: Yes, that is correct.

Mr YAN: What move is Jacana Energy making to bring that process to the Northern Territory? One, is generate income for the Territory and two, to maybe expedite the postal process from the Territory rather than having to worry about the east coast?

Ms KINNEAR: We have kicked off a process to assess what components of the bill printing process can be based out of the Northern Territory. We produce, print and mail about 40,000 bills a month. We need to find a supplier in the Northern Territory capable of doing some aspects of that, which has the capacity to print the number of bills; it is a significant amount. We are now working on developing a business case for a program of work to go out for a tender process to assess what capability is available in the Northern Territory.

Mr YAN: To make it effective for Territory businesses then. What is the current cost of having the bills generated on the east coast and posted back to the Territory?

Ms KINNEAR: I do not have that information available. We can take it on notice.

Mr YAN: Thank you, yes.

Question on Notice No 11.2

Mr CHAIR: Member for Namatjira, please restate the question for the record.

Mr YAN: Can you provide the data on the cost of producing paper bills on the east coast and then posting them back to the Territory for the reporting period?

Mr CHAIR: Mr Chairman, do you accept the question?

Mr FAULKNER: Yes.

Mr CHAIR: The question asked by the Member for Namatjira has been allocated the number 11.2.

Mr FAULKNER: Just to comment on the billing, there is an opportunity to improve the process of the meter data management and the meter data transfer from PWC to Jacana. At the moment there is delay of about four or five days. I believe PWC is working on some system enhancements, which should reduce the time frame it takes for the meter data to get to us to go into the bills.

Mr MONAGHAN: Going to the consumer and the variety of payment options you talked about, I am assuming the move is because it is cheaper and more efficient for the organisation to go to electronic. Can you outline the options you have?

Ms BLIZZARD: The payment options we have available is for customers to pay online or through our phone portal, which is 24 hours; BPAY; direct debits; and over the counter at Australia Post. We also accept cheques via mail and we have centre pay as a payment option.

Mr MONAGHAN: My elderly constituents ask me this question all the time. When they take their $100 from their pension to the post office, can they pay cash over the counter?

Ms BLIZZARD: Yes, they can.

Mr FAULKNER: That was the point I made earlier, I hope. Although we are moving to the digital service offerings we need to be mindful there is a segment of our customers who prefer to do it the way they have always done it.

Mr CHAIR: That concludes our time for the Jacana Energy examination at Estimates Committee. Thank you, Mr Faulkner and Ms Kinnear, for your appearance, and everyone behind the scenes who did a lot of work.

We will now move to consider Territory Generation. We will have a short break while there is a changeover.

The committee suspended.

TERRITORY GENERATION

Mr CHAIR: Welcome back to estimates. We will have discussions and questions for Territory Generation. I welcome Mr Dennis Bree. Could you please introduce the officials who are with you, Mr Bree?

Mr BREE: Allow me to introduce Chief Executive Officer, Gerhard Laubscher; General Manager Finance and Business Services, Maria Walters; General Manager Commercial, Eddie Mallan; General Manager Assets and Operations, John Greenwood; and General Counsel and Company Secretary, Hieu Nguyen.

Mr CHAIR: Mr Bree, I invite you now to make a brief opening statement and then we will call for questions relating to the statement. The committee will move on to consider questions regarding the corporation's 2021–22 Statement of Corporate Intent. I will invite the shadow minister to ask their questions first, followed by committee members. Finally, other participating members may ask questions. The committee has agreed to allow a question in the line of questioning that the shadow minister is on.

Mr Bree, would you like to make an opening statement?

Mr BREE: Mr Chair, I am proud to be here representing Territory Generation to provide an overview of our Statement of Corporate Intent and to say a few words of introduction and then answer your questions.

The past 12 months has been rewarding for Territory Generation, with some major milestones being reached, which I will elaborate on shortly. Our 2021–22 Statement of Corporate Intent has been developed with the government's renewables policy in mind and a commercial environment with increasing competition from solar, both behind the meter and from solar farms, combined with an increasing demand for stability services in the system.

Territory Generation performed well in the last year, despite the impacts of COVID-19. Our staff responded commendably by complying with the new culture of COVID-10 and finding ways to minimise the threat to our people and continue to produce electricity as an essential service to the NT.

Territory Generation continues to learn from the 2019–20 Alice Springs system black event. The event has driven us to evaluate our systems and the lessons learned have been transferred to our other sites at Channel Island, Weddell, Katherine and Tennant Creek as an ongoing focus.

Ron Goodin Power Station remains operational to provide more system security to the Alice Springs power system and will continue to remain in service until the Owen Springs Power Station has proven to provide all system services reliably.

Work is being done for the medium-term role of the Ron Goodin Power Station to provide additional black-start and peaking capability, if required, during the extreme warm summer months, and to provide essential additional redundancy for the network. This approach will remain in place until a more permanent solution is decided, which may include a second larger battery in the Alice Springs network with additional solar photovoltaics.

Growth in solar penetration in the Territory continues to impact on the electricity system, most significantly, through an increase in the requirements for essential systems services. Territory Generation's key role will remain the delivery and assurance of energy and generation reliability for the Territory. TGen must maintain adequate in-store capacity to meet peak load demands reliably.

During the transition to 50% renewables by 2030 and zero net emissions by 2050, TGen will continue to play a significant role as the generator of last resort, having responsibility of reliably providing energy, system security, stability and a number of other essential system services. Without doubt, the future shape of Territory Generation has bene influenced by the government's direction and commitment to reach the dual renewable objectives.

I am pleased that the government has supported our large energy storage project in the Darwin-Katherine system. We are very close to entering into a contract for this. This will not only facilitate increased renewable penetration, but will also strengthen the system further by providing additional security on the Darwin-Katherine interconnected system.

The changing demands on the corporation for system stability, with decreasing minimum loads, has led us to plan an initial $70m of borrowings over the SCI period to fund a future capital program which focuses on delivering flexibility, efficiency and reliability to the corporation's fleet. Operational savings from smaller, more efficient machinery have also been incorporated in the despatch modelling for future years.

The corporation's fleet transition plan strategically redirects historically planned capital on our existing fleet and allows for incremental CapEx to be invested into new, more efficient and appropriately-sized thermal generation assets, rather than continuing significant investment in the existing ageing fleet. The modern fleet will also increase capability to consume renewably sourced fuels such as hydrogen.

Over the transition period, a selection of the existing generators are planned to be placed in reserve to maintain the capacity at a minimal cost. These initiatives are key to ensuring the reliable, efficient and sustainable supply of energy and system services throughout the remainder of the decade and provide certainty that sufficient installed capacity exists to support commercial, industrial and residential growth forecasts for the Darwin region.

We are maintaining system security and capability in Yulara, to support tourism and local businesses, by installing four new sets at the Yulara Power Station.

Financially, we will continue to effectively manage our controllable costs and we expect, again, to provide a modest dividend to government. We continue to manage controllable costs effectively and, at the direction of government, have built in a $3m per year reduction into our controllable costs.

Our asset repair and maintenance programs are based on improved condition monitoring. We continue to maintain a zero-harm workplace with an inclusive behavioural safety culture where safety is at the core of everything we do. Last year we achieved the important milestone of 1,000 days without lost-time injury.

As I did last year, I would like to conclude by continuing to pay tribute to the management and staff of Territory Generation, who carry out their roles diligently, 24/7, 365 days per year, to provide power to Territorians, while ensuring that safety is their number one priority.

Mr CHAIR: Are there any questions from the committee on the opening statement?

Mr BURGOYNE: Are we able to get an idea from Territory Generation, what you are currently sitting on in regards to your net debt or profit?

Ms WALTERS: Our net debt sits at $186m. Would you also like the profit, as it stands?

Mr BURGOYNE: Yes, for the last financial year, what was the net debt or profit?

Ms WALTERS: The current financial year?

Mr BURGOYNE: Yes, the current financial year.

Ms WALTERS: It is unaudited, if you could keep that in mind. We will have year-end adjustments, but it is currently sitting at $12.8m.

Mr BURGOYNE: Profit?

Ms WALTERS: Yes, profit.

Mr BURGOYNE: That is good to hear. Regarding capital expenditure, when I look over the previous and Statements of Corporate Intent, I can see a clear increase in the capital expenditure pushing out in 2022–23, from what was going to be $27m to now $56m. Can you explain why the future capital expenditure is increasing by such a large amount?

Mr BREE: Over the last 12 months we have developed our part in a transition plan of 50% by 2030. Much of our machinery is quite old. Channel Island is an old power station and we have kept stuff going for a long time, past its nominal life; having said that, they still work.

Our philosophy is that we need smaller machines because the load is becoming more variable and we do not want to be running a large machine for a short period of time for a small increment load, when we can use a smaller machine to do that more efficiently. Our fleet, over time, should consistent of smaller machinery.

As far as possible, each time we think about it, we want to put in as efficient a machine as we can. Broadly speaking, newer machinery is usually more efficient than the stuff it is replacing. It goes without saying, we need reliability in that area. Any new machine we put needs to be hydrogen-capable. Whatever view you have on hydrogen, it is out there in the market place and it would be foolish to buy a machine that has a 30-year life and not take that into account. That is part of our transition to a potential hydrogen future.

On top of that, building in small machines, we have taken the view that one of our major jobs is becoming capacity in the system. We are moving a bit early on some machines so that we can, in effect, bank some of the old machines and put them on a reserve list.

We have machinery that we judge through, continually monitoring how many hours of life it has left before we have to do something big. If we have a machine which has 1,000 hours left, you can use those hours over four or five months or spread it out over five or six years by putting it on the reserve bench. That is what we will be doing over time.

We will keep the capacity in the system, but not use up the hours run. The hours run drives all of the maintenance you have to do on the machine. That keeps the cost of that down. You can keep them on the reserve bench at a cheaper cost than using them.

We came to the first stage of that plan, so we have the broad outline of it. Each decision on a replacement will have its own business case, so each stage—you cannot say, 'We are going to buy all of this stuff', and government needs to approve it over certain levels of delegation. Going forward we have allowed for the fact we will be expending more capital and, at the same time, we have built SCI costs into our future for the improvements we were making the system as well. They are not a direct trade-off but there is a business case. For example, one of the first big cabs off the rank will be the battery. That has been publicly stated. We will have a payback period of five or six years, something like that. That has been built into our future figures as well.

Mr BURGOYNE: Previously a lot of that expenditure was not planned, but now in relation to the forward estimates that has been taken into account and as a result, the future capital expenditure has increased?

Mr BREE: That is correct. We were going on another path. The traditional path would be that when you hours run up on a machine, you might retire it, replace it or give it a major overhaul, which is significant amounts of money. Previously it was built on the old path. We have spent the last—I think I mentioned it at the last estimates, before Christmas, that we were undergoing that planning process. We have now got to a fairly advanced part of that; it was able to inform the SCI figures for this year.

Mr BURGOYNE: Going forward, can you explain the types of generators or the forms of energy we will be investing in? Hydrogen generators is one. Can you explain to the committee whether Territory Generation can invest in solar?

Mr BREE: Firstly, can I say something on hydrogen? What we are deciding at this stage is not that we will be in hydrogen, but that any investment we make should not keep us out of hydrogen—if you get the difference. The market is moving that way anyway. It would probably be unusual to buy something in the next couple of years that was not hydrogen-capable.

Regarding solar, the government's policy on this in regard to Territory Generation is that we are not players in the Darwin-Katherine system, but we are allowed to put forward proposals for Alice Springs or Tennant Creek.

Mr BURGOYNE: It is important to point that out, because a lot of people get confused about that.

Mr BREE: I want to be exactly—the words have been carefully chosen for us. We are not able to be involved in utility-scale solar, so the smaller ones. If there was something incremental somewhere, possibly.

Mr BURGOYNE: The system black you spoke about in Alice Springs—were there a number of recommendations from the Utilises Commission that came out of that? Can you please update the committee on where we are at and what recommendations are still outstanding?

Mr LAUBSCHER: I will start and then hand it over to Eddie for a bit more detail. The majority of the major things we had to do has been completed. There is only one that is outstanding that is big and it is the battery, the BESS. It is a commercial issue between us and the OEM. It is not perfectly doing what it is supposed to do, but it is a work in progress.

Mr MALLAN: Territory Generation, with Power and Water, has made some really good progress over the last 12 months, progressing closing the action items out. We have a couple of administrative tasks to finish with Power and Water, which is just writing a joint report to the Utilities Commission to demonstrate that what has been done, has been done. That will be simple and it should be closed off within the next month.

There are three key items that remain open for the Jenbacher units but we have the technical solution. When we were here last year, we were still working with OEM for it to develop the rectification for the unit. That has been done and thoroughly tested. We are in the process of rolling them out, one unit by one unit, and doing that in collaboration with system control, in terms of the taking out of service and returning to service.

With the battery, we are continuing to investigate the performance of the battery and we are working with the supplier of the battery, the OEM. We are also working with some third parties to look at alternate solutions to what the OEM can provide us, because it has been a frustratingly slow progress to get a resolution with them.

Mr BURGOYNE: Just so the committee can understand, the battery you speak of, how long has that battery been installed in Alice Springs for?

Mr MALLAN: The battery has been in place for around three years. It is important to note that it is not yet completed its final commissioning. It has not been recognised as fully co-compliant. Although it is generally in operation and supporting the operation of the power system, we have some work to complete which is one of the reasons we are working closely with the OEM to complete the connection process with Power and Water.

Mr BURGOYNE: Without it being fully commissioned, it is able to provide electricity to the Alice Springs grid on a regular basis?

Mr MALLAN: Yes.

Mr BURGOYNE: The solar forecasting that we spoke about earlier with Power and Water—where is TGen at with that solar forecasting?

Mr MALLAN: Territory Generation has rolled out solar forecasting tools in control rooms. We have procured the same solar forecasting technology that Power and Water has. We are also finalising integration of load forecast data from Power and Water to us.

Within our operating procedures and practices in the control rooms, where our controllers would refer to, we have incorporated the solar forecasting to support their decision. It is important to note that it is not a binary decision tool, per se. It is an additional piece of information available to the operators that helps them make a decision about the future needs.

Mr BURGOYNE: What is the capacity of the Owen Springs Power Station? I ask it every year because I like to make a point.

Mr MALLAN: Installed capacity at Owen Springs is 77.6 megawatts.

Mr BURGOYNE: What is the Alice Springs peak usage?

Mr MALLAN: As reported in the Utilities Commission's 2018–19 power system stats, Alice Springs maximum is 52.85.

Mr BURGOYNE: It would be very odd that Alice Springs would have a second power station powering it, seeing as the capacity of the Owen Springs Power Station is more than capable of dealing with the loads that we would see in Alice Springs.

Mr BREE: That is correct. It was always the intention to have Owen Springs to look after Alice Springs.

Mr BURGOYNE: That is right. But for the reasons outlined we are yet to get to a position where we can rely solely on Owen Springs and Alice Springs because of the grid stability.

Mr BREE: As Eddie said, we are still doing final work on the Jenbachers. Our position is that we will not shut off or put Ron Goodin in any other mode than operational until we are completely confident that Owen Springs is right in every way.

Mr BURGOYNE: Do we have a time frame for when Ron Goodin will be decommissioned?

Mr BREE: No. The board has been very specific about not setting a date, because we want the right answer. It is too critical; that is the lesson we got from the Alice Springs black. We have included an ongoing Ron Goodin throughout this SCI.

Mr BURGOYNE: What are the main issues with the Jenbacher generators? Is it their ability to respond quickly to sudden increases in load?

Mr BREE: That is out of my field now.

Mr MALLAN: It is key to appreciate that when the system black event occurred on 13 October, there were multiple things that failed at the power station. The vast majority of them did not relate to the performance of the generator. There were protection settings—there was stuff regarding switchgear and the like. We are confident that all those settings and types of issues have been resolved. They have been checked and double checked.

The only item that will remain open in the EC's list against the Jenbachers once we finish rolling out the new software is a demonstration of load acceptance in a live system event, we will call it. We have undertaken all the tests that we can practically test the units for. We have taken all the data and worked through it with system control. The remaining thing to satisfy everybody's interest is that the next time there is an event and they have to respond, to see how that response actually happens and how the units return to that stable load, along with the power system stabilising and returning to 50 hertz.

Mr BURGOYNE: It is important to note that we have had reports from rural residents and Alice Springs of constant blackouts, especially at the airport. Are these due to testing at the Owen Springs facility? It is my understanding that as a general rule there are certain areas that you take off-grid first if there is a fluctuation in electricity. Can you explain what is occurring it is constant blackouts at the airport and some parts of the rural area and Alice Springs?

Mr BREE: In broad terms it is not necessarily Territory Generation dropping power—on networks you would find trees over, whatever. I do not think it is us playing with the system—I hope it is not!

Mr MALLAN: We are not aware of any blackouts resulting from the testing work we have done. We are not aware of any load shedding.

Mr BURGOYNE: I should explain that other than a blackout, has there been any load shedding due to testing operations at the Owen Springs facility?

Mr MALLAN: Not that we are aware of.

Mr BREE: We would be aware, to be honest, if we had caused some problems.

Mr BURGOYNE: The Ron Goodin Power Station has been spoken about quite a bit. As I look at the power station retirements—I think this is a slightly older document—I note that as of 1 July 2021, we are expecting to see a lot of those generators retired. What is the current plan, in relation to the Ron Goodin Power Station more specifically, for generators?

Mr BREE: I will have to pass this over for the detail of it. As it is in action, we have allowed money to keep some of the gen sets going longer than they would have.

Mr GREENWOOD: Ron Goodin has a new lease on life due to the October system black. A number of issues were identified. Part of the solution to that is keeping Ron Goodin going. At this stage, we do not want to have all our eggs in one basket, so Ron Goodin will be maintained for some time yet. The plan is to make sure we have at least four machines fully serviced and available. They will continue to help with system black issues with load sharing at peak times. Ron Goodin has a definite role to play in our Alice Springs plans.

Mr BURGOYNE: In relation to the maintenance costs, I note in the previous Statement of Corporate Intent for 2021–22 financial year, the repairs and maintenance at Ron Goodin was set to be $900,000. It has now been revised to $6m. What repairs and maintenance will take place at Ron Goodin for that $6m?

Mr GREENWOOD: We have a number of machines that are reaching their end of natural life, so we have to do a life extension to a number of the machines. Four machines will be receiving that. One has just been completed and we have three to go. Along with the machines, a lot of the ancillary services—the water towers, all the different cooling area equipment and the pumps and things—also need renewal. Basically, it is coming down to the major top end repairs of these older units. In one instance we have to get heads manufactured. They are not manufactured complete now so we have to get them made, for which we have to pay a considerable amount of money.

Mr BURGOYNE: So that I have a rough idea about what we will end up with in capacity at Ron Goodin, I have the generators lined out here—or the units—and their capacities. What units and what will be the capacity at Ron Goodin once this maintenance has been undertaken?

Mr GREENWOOD: We want to keep about 28 megawatts out of Ron Goodin. We also have our nine out there—of our turbines—and it is a very old machine …

Mr BURGOYNE: You pour oil in one end and it comes out the other, but it is very reliable.

Mr GREENWOOD: It is very reliable and it is very difficult to start in cold weather. It is the oldest machine of its type running in the world. That is a testament to the people who have maintained it over the years. It also adds quite a number of specific characteristics into the network, which is beneficial for us.

Mr BURGOYNE: It is my belief that when that specific generator was restarted of the system black, the fire brigade was called to the power station. Can you confirm that?

Mr GREENWOOD: The fire brigade has been called a number of times. It was a false alarm. We all stood around and looked at it and did not have to do anything with it.

Mr BURGOYNE: I am glad to hear that it was a false alarm.

We have worked out how much maintenance will be spent on Ron Goodin—that is $6m in this forward year. Can you give me an idea of the total cost to keep Ron Goodin Power Station open? It is important we get an idea of that as we have a power station that should be able to deal with the loads we experience in Alice Springs. We are keeping Ron Goodin operational because we want to ensure the stability of the grid; what does that cost to the tax payer?

Mr GREENWOOD: Over the SCI period, coming forward, it will be in the order of $10m.

Mrs LAMBLEY: Is that over the forward estimates?

Mr GREENWOOD: One year.

Mr BURGOYNE: For comparison, we are getting 28 megawatts out of Ron Goodin at a cost of $10m, how much is the Owen Springs facility costing over the next year?

Ms WALTERS: It would be a similar dollar amount, going forward. Bear in mind, when Ron Goodin is operating and it is costing $10m, a lot of those costs would be borne by Owen Springs, if that was producing that power. It is a little hard to separate the two, it is best to look at it as a region.

Mr BURGOYNE: How many employees are employed specifically at the Ron Goodin Power Station? I understand it was a point of contention when it was to be shut down.

Mr LAUBSCHER: Nineteen.

Mr BURGOYNE: How many at Owen Springs?

Mr LAUBSCHER: I do not know at the top of my head, sorry.

A member: We should have it somewhere.

Mrs LAMBLEY: Will any of the money spent on upgrading Ron Goodin address the fumes and the sound? My constituents occasionally come to me about this.

Mr LAUBSCHER: The majority of the time we are running one-and-a-half machines at Ron Goodin. It is really there for support. We do not run all the machines and we are trying not to run the outside machine, which is the turbine. That is the noisy one. For the last three to four months, we have not run that machine.

Mrs LAMBLEY: I have not had any complaints but I have no doubt they will be coming at some point.

Mr LAUBSCHER: It will address both of those.

Mr BURGOYNE: Of that larger turbine, how many hours has it operated in the current financial year to date?

Mr BREE: There will be some guessing on that one.

Mr BURGOYNE: You try to avoid using it because of the noise and fumes?

Mr GREENWOOD: I used to live in Alice Springs and during the winter months there is a different inversion layer which compounds the noise issue. I lived at the golf course and if I was outside at night, I could hear a low resonant hum but inside I could not hear it. It is a bit tricky, because that is when we want the most power. We try to limit its use as much as possible and over the last three to four months it has not run at all. Prior to that, we have had it out for half of the rest of the year. It has only run for a third of the year.

In answer to the question to my right, we are trying hard. The machine that causes most of the smell, which is the burning oil, is not running at the moment, we are trying to keep it off.

Mrs LAMBLEY: I am hearing you. I find most of the complaints, over the last 10 years, have come during the winter months; that makes sense.

Mr BREE: Member for Braitling, to go back to your previous question about employee numbers. The figure would be about 24.

Mr BURGOYNE: Ron Goodin is an expensive power station, which is what I am trying to get at. We are doing that as a result of testing and commissioning the Owen Springs facility until we are happy that it can operate on its own?

Mr BREE: Yes, that is correct. I hasten to add, once Rod Goodin closes it does not get rid of all the costs on Rod Goodin. Some will transfer to Owen Springs. Basically, your premise is correct, that there is a cost of keeping security in the system.

Mr BURGOYNE: Absolutely. The additional battery that you spoke about earlier that you are looking at going to Alice Springs, what is the cost of that battery?

Mr BREE: We are yet to do work on that. I preface that by saying that is one of the things we are looking at for the future of the system there, depending on growth loads and the introduction of more solar and all of those things. I cannot give you any figures on that.

Mr BURGOYNE: When I look at the future capital expenditure, that battery is not in there.

Mr BREE: I think we have a notional figure in there up the back. But it is not a developed figure at the moment.

Mr BURGOYNE: You spoke about Channel Island, what is happening with the generators there? I note that three units were set to be retired on 1 August 2018. Did that occur?

Mr GREENWOOD: No.

Mr BURGOYNE: What was the cost of extending the life of the generators at Channel Island?

Mr GREENWOOD: The life extension work had already been worked through in previous financial years, but in the order of $3.5m–$4m.

Mr BURGOYNE: Has there been any issues over the past year with the Channel Island power station? We spoke about that in the last financial year. Since that incident, have there been any further issues?

Mr BREE: There has not been anything at Channel Island, but there was a gas interruption.

Mr BURGOYNE: Have measures been put in place so that a gas interruption does not occur again?

Mr BREE: Because it is not in our hands, I cannot categorically guarantee that. We have certainly done everything we can to ensure that. We are convinced that the work they have done, which they presented to us, should fix this.

Mr BURGOYNE: Do you have an ability to store gas at Channel Island?

Mr BREE: No.

Mr BURGOYNE: Basically, it is not flowing?

Mr BREE: It is not flowing; we do not have it. The only storage in the system is in the pipes.

Mr BURGOYNE: In respect of the Gunner government's 50% renewables target by 2030, at last estimates we were told that Territory Generation has started modelling and hopefully will be able to get us much more information on it next year. Similarly, earlier in estimates—we are constantly asking about the cost of moving towards this figure. Are you able to give us an update in regard to the modelling and the costs of heading towards this figure?

Mr BREE: I can give you some information on it. That refers back to what we were talking about before. This is our transition plan. The extra borrowings and capital works that we are taking on really is to do with that transition. We are looking at—I will not go through that unless you wish me to. I will not go through the details—small machines; putting some of our current machinery on the reserve list to keep the capacity in the system; more efficient machines; another battery, we have one coming imminently but there will be another one after that; and then there is work on things like—spinning up some stuff, like—I always think of them as big flywheels, but I do not know much about it.

We are at a much more confident stage now with the transition for us. Looking out for the four years, we know the business cases that we will be developing to put to government on each case. We have the body of work. As we go through this we are learning that things change so quickly. The technology is changing; we have to keep an eye on that. The system demands and the learnings we get out of those changes influence the way we look at what we need next. We have to keep an eye on lots of moving parts.

Mr BURGOYNE: When we look at the capital expenditure over the coming years, are you expecting to see an increase in that capital expenditure to keep up with the move towards the 50% renewables target?

Mr BREE: I think we have already put it in the SCI. Is that the change you referred to earlier?

Mr BURGOYNE: Yes. When I referred to that earlier and the increase …

Mr BREE: That is largely what this is about—it is the transition.

Mr BURGOYNE: And it is moving towards smaller more efficient generators.

Mr BREE: Yes. And probably more batteries.

Mr BURGOYNE: Can you give us an update on where the next additional big battery would be located?

Mr BREE: The next one is coming in at Channel Island. That is the one that has been announced. We are still working on where we would like the next one because we are not the only deciders in this. If I could leave it at that. Where we would like it, we need to talk to other people about it.

Mr BURGOYNE: Absolutely. At last estimates we also spoke a lot about Channel Point, you referred—you would be jumping the gun to provide a plan just yet, but I hope that you have more information for us this year in regard to the replacement of the generators out there. What are the plans going forward?

Mr BREE: At Channel Island?

Mr BURGOYNE: Yes.

Mr BREE: That has been a big part of the change in our thinking. I will hand it over for the details because we are retiring. We are looking at keeping some on now. In the normal course of events in the old world we would have let them go, but now we are looking at putting them on the reserve bench early so that we can keep the hours and the machine without having to pay a lot of money for it as we bring in the other machines. Capacity has become important for us because at the end of the day, even with the solar in the system, while we are not providing energy it displaces energy but it does not really displace all the capacity that it provides so you have to keep capacity up just in case.

Do we have more detail on what we are retiring?

Mr LAUBSCHER: We can go into a lot of detail but what Dennis is saying is what I would like to …

Mr BREE: We are trying to keep what we can and get the most out of all the machinery. Some will have to go and some will be taken for parts.

Mr LAUBSCHER: We take system security and capacity seriously and for us to have a smooth transition in the short to medium term with all these machines is key. To keep the life, as Dennis explained, the older machines, the Frame 6 specifically, because they have a lot of inertia and we need to get used to the fact the battery will take care of that, so we will keep these machines as long as we possibly can.

Mr BURGOYNE: I am glad you used the word 'inertia'; that was my next question. In Alice Springs the whole idea of Owen Springs is that we move towards smaller machines being able to spin up more quickly to deal with the fluctuations and any peaks in electricity demand. We are essentially now moving towards the same structure at Channel Island, will the inertia be there—what will be the size of the battery that we will require at Channel Island so that we do not end up with the exact same issues that we have had in Alice Springs in regard to inertial, the fluctuations in electricity and the smaller generators perhaps not being able to create the inertia that machines like the ones that are Ron Goodin are able to create.

Mr BREE: The technical people have to put this balance in, there is no question about that. The battery—we have learned enormously from the Alice Springs battery, as you would expect, and that has been a big part of what we have been going out for to the market.

Mr BURGOYNE: Is it fair to say that the Alice Springs battery is undersized? When I talk to people in the game, they say that, realistically when you have 15 megawatts of solar and a 10-megawatt battery, for that battery to stabilise the grid the amount of battery capacity has to be equal to the solar that you will gain or lose in any given moment.

Mr BREE: There is more to it than just that, but the fact that. I said earlier that we were thinking about another battery down there. I am not technical enough to carry this, so people should jump in. The terms that have come through to me when they talk about it is battery is 'grid-forming' or 'grid-following'. The one we look at up here is grid-forming. That has the inertia and stability, which is a big part of it. In Alice Springs we have a grid-following. It is all software rather than …

Mr GREENWOOD: It is not quite as straightforward as one-for-one, for the amount of solar to benefits that the battery bring. A lot of the benefits are smoothing when the solar is turning off and on.

While everybody is embracing solar, it causes a lot of issues to the network. If we do not have a very strong network—those fluctuations are brought about by the solar turning off and on—it does not take much cloud cover to reduce the amount of solar output significantly. While that is happening we enough spinning reserve capacity to be able to take up when that clicks off and on.

While this is going off and on, and this is going up and down, the battery is in place to smooth out those differences, as opposed to replacing the output of the battery.

Mr BREE: That was a large part of when we went in to the first battery—it was our focus. There is no doubt the battery down there very much smooths out the frequency. It does that part, but there are other things we would now prefer it to be able to do as well. That takes effort.

Mr GREENWOOD: One of the big issues for us to overcome is not at the peak times, it is at low load times. For the first time in history, we are experiencing low load periods of less than seven megawatts on the Alice Springs network. The problem there is that our machines are not sized to run down that low. We are trying to understand; the impact of the three new solar farms we have been talking about and you talked earlier to Jacana about. That will severely impact our generation up here and our ability to run down at those low loads.

We are looking at a machine that can run at half load, which will provide us with enough inertia and system security in conjunction with the battery, but we will get the increase in low load prior to the battery coming online.

Mr BURGOYNE: What are the risks of those low loads to the generators? Do you get—I have had it referred to me as like a glazing?

Mr GREENWOOD: We end up running our machines in quite a different style than traditionally. We have to be very careful we do not have a number of stops and starts, because that brings on a thermal cycling where it is like after you have had a trip in your car, you turn it off and have not got everything pumping around. It is the same thing when you turn off the machines. We do not have that cooling effect to the pump and everything else we can keep going, which we still do. But turning them off and on in very short times limits their life considerably. We have to guard against that.

Mrs LAMBLEY: How often would we get a low load in Alice Springs? Do you have any stats about that?

Mr GREENWOOD: Every weekend at this time of year.

Mrs LAMBLEY: Wow.

Mr GREENWOOD: Last weekend was the lowest we have ever had. It had previously been the Anzac weekend, but now it was this last weekend.

Mr BURGOYNE: What did that get down to?

Mr GREENWOOD: It got down to 6.8 megawatts.

Mr BREE: Is it the combination of blue sky and mild weather?

Mr GREENWOOD: Blue sky, mild weather and the solar is impacting that, so our output is pretty low.

Mrs LAMBLEY: That is ironic; it is damaging the system.

Mr GREENWOOD: More ironic than you know, because well—I will not go on.

Mr BREE: I thought I was going to have to tackle him there, for a minute.

Mr BURGOYNE: When we talk about generators where either the lives are extended—I am looking across the power stations, and there are retirements here. Can you give me an update in regard to Tennant Creek? We have one to three units there that were meant to be retired in 2019, four in 2018 and five in 2019. I understand there have been some new generators placed in Tennant Creek. Can you give us an update about what is happening there?

Mr GREENWOOD: We have two smaller-sized Jenbacher models that have gone into Tennant Creek. They are working very well. Again, if you can turn them on and leave them on, it is the way to go. They are working quite well.

We have put a lot of the older machines down the merit order for running. We are still trying to leave them there in case we end up experiencing any unexpected hurdles with the new machines.

We have a number of old Rustons that have not fired a shot in quite a long time, which we want to move forward now and pull out. But pulling out will cost in the order of $1m, so we are trying to do a bit at a time.

Mr BURGOYNE: My understanding is the capacity of the Tennant Creek will be reduced.

Mr GREENWOOD: Marginally.

Mr BURGOYNE: What was it previously?

Mr GREENWOOD: Off the top of my head, I cannot tell you. I would be guessing. We are talking about less than 10%. That is mainly because of the style of the machines we have there. We are not getting anywhere near down to being in trouble. We still have quite a lot of capacity there.

Mr BURGOYNE: What is the overall capacity of Tennant Creek, roughly?

Mr GREENWOOD: Twenty megawatts.

Mr BURGOYNE: And what is the peak demand in Tennant Creek?

Mr GREENWOOD: It is about 14 at the moment.

Mr BURGOYNE: I have asked a lot about the plan for the replacement of the generators. Do you have a formal plan for when you will retire things and purchase new things? It was said a lot last year that it would be a huge cost when you come to replace some of these generators. Is there a formal plan in place?

Mr BREE: We have a plan of where we are going over the next few years. We have notional dates when we will put things off and what we will put off. I emphasise that each step of the way we will really focus—laser like—on what we are doing to get the best value for money at that time.

Saying that we will replace one of these machines in three years means that we will look at that. At that time, we have to take into account everything that is happening, what the system is doing and what the needs and costs are. Yes, we have a notional plan, but it would be such that we would come back here each year and you would say, 'Why have you not done that?' I understand that is your role, but I wanted to put the context to it and that it is very much an alive plan. That is why, when I talked about our transition plan, there is a lot of philosophy behind what we are doing. We have that in our heads; we know what is driving us. But each time we sit down and do a lot of numbers.

Mr BURGOYNE: What is the tender process? How do you purchase one of these generators? I imagine it probably has to come from overseas in some instances. What is the time frame from deciding where you will purchase a new generator to actually seeing that generator installed?

Mr BREE: That is a really interesting market. Sometimes the lead times can be quite long, but we have had some experience this year of very short lead times because machinery has been available. In Katherine there were two in Katherine?

Mr BURGOYNE: What are some of those longer lead times you spoke about?

Mr BREE: If you just went out to market and—I guess the other example I could give is the battery. We have been at it for approximately 12 months. When we enter into a contract, we then have another six or eight months delivery and then we are not sure how long for commissioning, because it is new to the system. It will not be quick. We are allowing 12 months for commissioning. We hope we do it in that. They are the sort of lead times you can get.

Mr BURGOYNE: Those batteries are in high demand at the moment and, as a result, from deciding to purchase one to having it fully commissioned can take anywhere from two to three years?

Mr BREE: I think that is possible. We have ascertained that our tenderers can supply. We have confirmed that in the late stages of negotiations.

Mr BURGOYNE: Have you put in the order?

Mr BREE: Not yet.

Mr BURGOYNE: It is all about trying to find exactly what you want and get it to do what you want. Then put in the order and commission it into the grid.

Mr BREE: We are still in the final stages of negotiation with tenderers. We expect that to be done within the month.

Mr BURGOYNE: That is good to hear.

The Pine Gap power supply project is under construction. How much is that costing and when will it be completed?

Mr MALLAM: The cost of the Pine Gap project is commercial-in-confidence. Construction has commenced on the project and we are expecting to have it generally completed approximately December this year and commissioning and connection commencing January in 2022.

Mr BURGOYNE: I have a public version so I am not giving away any state secrets. It is listed here as $11.7m. Are you on track to meet that budget for the construction?

Mr MALLAM: We have had a couple of minor variations in scope at the request of the client so there has been a small increase, but it is within the contingencies of the approved amount for the project. It is not materially different.

Mr BURGOYNE: Are we talking $12m?

Mr MALLAM: Just bear in mind that the costs are back-to-back with a reimbursement from the customer.

Mr BREE: In a sense, this is not on our books—our capital works program. They have approval of each stage of the expenditure because they are paying for everything.

Mr BURGOYNE: At this stage, it is set to be completed by the end of this year and then commissioning will follow.

Mr BREE: Yes.

Mr BURGOYNE: At the end of the day, it will not increase your revenue in the long term, will it?

Mr BREE: Yes. We are continuing to provide the services.

Mr BURGOYNE: To what extent?

Mr BREE: I could say that it is not material, if that helps.

Mr BURGOYNE: TGen has a current tender closing for the provision of accountancy services for a period of 36 months. The purpose is to engage a panel of accounting team firms to provide Territory Generation with access to national and international experienced staff with expertise in all areas of accounting and finance, particularly in the utility sectors. The arrangement is viewed as being one that provides the corporation's board and senior management with assistance, advice and expertise on an as-required basis. Why is this necessary?

Mr BREE: In the industry, a lot of specialist work goes on. You just need to be able to access it.

Ms WALTERS: In addition to that, we deal with very large dollar amounts and it gets quite technical, particularly when dealing with discount rates and impairments, et cetera. It is good to make sure that our calculations are thorough and stand up with the major accounting firms across Australia.

Mr BURGOYNE: How many accounting or finance staff are currently employed by Territory Generation?

Ms WALTERS: We have about nine, including accounts payable.

Mr BURGOYNE: How many additional staff would you need throughout this tender?

Ms WALTERS: We do not need additional staff; we just get consultancy advice to check that what we have done is correct, particularly with big-dollar adjustments at year end.

Mr BURGOYNE: With the current staff you have, is it beyond their …

Ms WALTERS: No, they do it. We just have their calculations reviewed to make sure they are robust.

Mr BURGOYNE: You spoke about the new possible hydrogen energy for Yulara.

Mr BREE: That is what we were talking about.

Mr BURGOYNE: Can you give me an update?

Mr BREE: The background—you are correct. We had looked at a proposal to—our machinery there was coming to end-of-life and we looked at a proposal that would put in solar panels and hydrogen capacity. The hydrogen capacity was dependent on getting a grant from the federal government. We got to the stage where we decided not to go forward with it, largely because of the COVID situation. The market fell away so dramatically and we cancelled tenders that were out at that stage.

We are watching carefully in regard to Yulara. We are in consultation with the resort managers. We are putting in for new diesels that will keep up with the load growth. It is very much on hold at the moment in terms of the more ambitious project. We making sure we can come back to it if and when Yulara gets back to its former high levels of …

Mr BURGOYNE: That would be in partnership with the resort?

Mr BREE: They, in the end, are the largest customer, so whatever we do there that impacts on the cost of electricity is in consultation with them.

Mr BURGOYNE: Was it going to be fairly experimental—what was going in there would be fairly new?

Mr BREE: It would have been pretty good for that size. That is what we were targeting with the federal government. It is not that it has not been done before in smaller stages, but this would have been a nice intermediate stage and people were quite interested in seeing how it went because you can step things up in size.

Mr BURGOYNE: I hope I did not miss what you said—the grant that was sought through the federal government, was that applied for?

Mr BREE: No, we only went to the first stage with expressions of interest and were given support at that stage, but we pulled out before we put in the grant. The load just went out the door.

Mr BURGOYNE: Looking at capital expenditure and the forward estimates, that is not part of the planning?

Mr BREE: No.

Mr BURGOYNE: The extra borrowings you spoke about earlier—obviously that comes into having to spend money on these generators as it comes to the time for renewal. How much are you expecting over the forward estimates to have to borrow and how will that affect your finances going forward? Are you expecting to put forward losses over the following financial years?

Mr BREE: No, we built a model based on an extra $70m borrowings over the SCI period. We intend to pay a small dividend each year.

Mr BURGOYNE: Do you pay that irrespective of whether you make a profit or loss?

Mr BREE: No, we pay 50% of profit, but we target what we would call a modest dividend.

Mr BURGOYNE: Over the coming years—I am just trying to see where that is—what are you forecasting when it comes to your net profit? I am happy to be directed to a certain page.

Ms WALTERS: We are currently forecasting to make around $12m–$14m profit per year, but it is highly dependent of the timing of getting our fleet in place and the efficiency savings on the fuel we will receive from that program.

Mr BURGOYNE: Please what you mean about the fuel.

Ms WALTERS: The fuel savings. Because we will be installing faster-start, more efficient machines, we are expecting to save around $6m in fuel per year.

Mr BREE: That is mainly on the battery.

Ms WALTERS: That is on the battery and $4m on the fleet.

Mr BURGOYNE: Even with the money being spent in upgrading capital, those savings will continue to mean you will post a profit over the forward estimates of $12m–$14m per year?

Ms WALTERS: Correct.

Mr CHAIR: In that profit you are talking about fuel; do you hedge your fuel?

Ms WALTERS: No there is no hedging.

Mr BURGOYNE: When it comes to gas, do you take whatever gas you take?

Mr BREE: Yes.

Mr BURGOYNE: No selling?

Mr BREE: No, we do not sell. We buy it off Power and Water.

Mr BURGOYNE: I am always interested to see how the three operate.

Mr YAN: I will step back to the rural area of Alice Springs and the airport—maybe the discrepancies between TGen and Power and Water. It seems that the outages in the rural area and airport of Alice Springs happen on a regular basis. An equipment fault on Power and Water's side may happen occasionally, but does not seem be on a regular basis. I would like more explanation on how these outages are possibly occurring on such a regular basis. It always seems to happen on Saturdays and Sundays for some inexplicable reason.

Mr BREE: I am not sure we will be able to help you very much with this. I would not like to speculate on networks. I do not know. It is not happening in the power station. Sorry I cannot help you there.

Mr YAN: That question and those answers would be provided by Power and Water.

Mr GREENWOOD: To date they have all been network related.

Mr YAN: The outages have been network related not generation related.

Mr GREENWOOD: It is all to do with the rural tie feeder.

Mr YAN: I know this, too, because I used to be at the correctional centre across the road from the power station and you would think that, just being over the road we would always have good, clean power. Unfortunately, being a neighbour did not help. It seems that the airport and rural areas are first on that feeder out of Brewer. They may be suffering the same issue.

Mr BURGOYNE: That is a good question. When it comes to load shedding, especially in Alice Springs, what are the first areas to go? What is the policy when it comes to load shedding?

Mr GREENWOOD: All the under-frequency load-shedding events in the areas that come off first or last is dictated by Power and Water's system control. When I worked for Power and Water, my house was last.

Mr BURGOYNE: Thank you very much, Mr Bree. You will get an early minute today. I thank you very much for coming along today, answering all of our questions. It is much appreciated.

Mr CHAIR: The committee will now consider questions relating to Territory Generation's 2021–22 Statement of Corporate Intent. Are there any questions?

Mr BURGOYNE: We have been through them, Mr Chair, thank you.

Mr CHAIR: Thank you, Mr Bree and staff. On behalf of the committee, I thank you for appearing and answering our questions.

We will take a break before the Department of the Legislative Assembly and the Speaker of the House join us.

The committee suspended.

Mr CHAIR: Welcome back. We are recommencing with the Department of the Legislative Assembly, with Madam Speaker. I note that while the administrative arrangements orders put responsibility for the Department of the Legislative Assembly with the Chief Minister, by convention the Speaker administers the department.

SPEAKER'S PORTFOLIO

DEPARTMENT OF THE LEGISLATIVE ASSEMBLY

Mr CHAIR: The committee will now consider output groups relating the Department of the Legislative Assembly. Madam Speaker, I invite you to introduce the officials accompanying you.

Madam SPEAKER: Thank you, Mr Chair, and the members of the Estimates Committee. To my right I am joined by Mr Michael Tatham, Clerk of the Legislative Assembly; to his right Maryanne Conaty, Deputy Clerk of the Legislative Assembly; and to my left, Diem Tang, Chief Financial Officer of the Legislative Assembly.

Mr CHAIR: I invite you to make a brief opening statement. I will then call for questions relating to the statement. The committee will move on to consider questions regarding whole-of-government budget and fiscal strategy questions before moving to output-specific questions and non-output specific budget-related questions. I will invite the shadow minister to ask questions, followed by the committee members. Following that, other participating members may ask questions. The committee has agreed that other members may join in on a line of questioning pursued by a shadow minister, rather than waiting until the end of the shadow minister's questioning.

Madam SPEAKER: I am pleased to join you today as a part of the 2021 Estimates Committee hearings, which is my second appearance in my role as Speaker of the Legislative Assembly. As the Chair has just outlined, the committee is aware that the Speaker has no legislative responsibility for the Department of the Legislative Assembly budget; however, as is the usual practice, I step in for the relevant portfolio minister.

The DLA remains under-budget and on track this year, as it has been in previous years, to order deliver on its priorities and required outcomes on time and within resources. I will now provide some highlights of the department's activities and then take your questions.

I consider the safety and security of members and visitors, as well as all staff both here at Parliament House and those employed by the Clerk in electorate officers, as one of my primary concerns. Integrity and respect are the hallmarks of our approach to security. Visitors who respect this democratic institution, which exists to work on their behalf, are always welcome at Parliament House. Recently, we found that some visitors did not observe this requirement for mutual respect. I make no apology for those persons now facing court. I will not comment on those matters any further but I make it clear that mutual respect will be mutually beneficial when working in or visiting this building or electorate offices.

Members' online safety is also of interest. The Clerk is canvassing what is being done in other parliaments to assist members facing trolling and abuse online. In the event it becomes too much, no doubt some members will redesign their presence or retreat from a social media presence altogether. But we must do what we can for safety in the workplace in that regard as well.

In electorate offices, too often our staff face persons who fail to respect the role of employees working on behalf of constituents. Improved security in electorate offices will be an option for all members who face any such concerns. I welcome any approaches members wish to make about safety and security matters. I am determined to make this workplace as safe as I possibly can for all of you and your staff.

Education and outreach remains a key component of what we do. My office is planning for a new version of the open day for this year, which is in the format of a democracy showcase with participation and activities being promoted for the event in July or August this year. While our core role is to support members to achieve their roles as elected members of the Assembly under the *Northern Territory (Self Government) Act*, members also expect us to inform Territorians about this democratic institution.

The Know Your Assembly seminars, now in their ninth year, have reached some 1,200 Territorians over the years. They have continued this year with recent events in Katherine and Alice Springs as well as the Darwin-based seminars. I continue to participate in those sessions and welcome any members taking part to inform those who attend. The Clerk and his officers recently provided a shortened version for opposition staff and this is always available to be tailored for government, opposition or other interested persons.

Since becoming the Speaker, I have focused on the Assembly's presence on social media and the accessibility of its website and put more emphasis on detail in the procedural bulletins for members after each Assembly sittings.

As Speaker I continue to meet regularly with the Clerk and other officers of the Assembly to ensure I remain fully briefed to serve this Assembly. Typically each week I discuss 25 to 35 agenda items with the Clerk and other officers. It is my intention to be kept well-informed and proactive as a Speaker serving Territorians in their parliament. You will no doubt recall that at last year's attendance before this committee, I promoted the participation by all members in the annual members' survey.

Members were surveyed on 11 December 2020 against seven specific questions relating to Budget Paper No 3 and performance measures which are reported against annually in the Clerk CEO performance agreement. I can report to this committee on the results of your responses last year: 19 responses received from a possible 25 members, which is four more than last year. That equals the best return rate from 2013, when 19 responses were also received. In 2020, the response was even more impressive because there were not 25 members present on the day. Only 23 members were present; therefore, for the most part, the calculations were out of 23.

Members were again advised when the survey was circulated in the Chamber that a non-return from a member present was counted as an indication of 100% satisfaction across all categories. This methodology has been applied each year for the past eight years.

For comparison with the previous year, I can advise the following:

- question 1—satisfaction with Chamber support and advice, the 2020 results was 98.9% compared to the 2019 result 99.2%

- question 2—production of the *Parliamentary Record*, the 2020 results was 91.5% compared to the 2019 result 99.6%

- question 3—satisfaction with committee meetings and reports, the 2020 results was 98.5%, which is slightly down from the 2019 result 98.91%

- question 4—satisfaction with education programs, the 2020 results was 98.57% which is slightly up from the 2019 result 98.33%

- question 5—satisfaction with internal services, the 2020 results was 97.27% just down from the 2019 result 97.8%

- question 6 was in regard to external services, last year the result was 96% which is up from the 2019 result 92.8%

- question 7 related to the satisfaction with building management services, last year the result was 98.6% just slightly up from the 2019 result 98.5%.

The survey contained a free text area inviting comments on matters such as the parliamentary library service, new member induction or other matters of particular interest for comment by the new or returning members. The following comments were made in that section:

- I believe a new starter pack at electorate offices would be beneficial. It could be debited from electorate allowance.

- The parliamentary library service delivers a terrific service, which I am thankful for. I was impressed by the induction and found it adequate for me. As previously mentioned in another survey, the search capacity of the *Hansard* is difficult to say the least.

- Excellent work; thank you for 2020.

- Kaye in the library has been a huge help and assistance to me. I would like it noted Kaye always goes above and beyond to assist members.

- As a new member, the staff have been very helpful and extremely courteous. Thank you all and merry Christmas.

- Thank you, DLA—Mr Keith especially. Merry Christmas.

I note that electorate offices are provided with a number of guides and assistance, but always welcome more feedback on their inductions from them and the members.

I turn briefly to the context of the 2020 budget appropriation for the Department of the Legislative Assembly before taking questions.

The Department of the Legislative Assembly is a government department like all others. The Chief Minister is the Cabinet minister. Treasury advice is to government, not to me as the Speaker. As you know, the department cannot reduce the number of Assembly members or their staffing entitlements, salaries, office accommodation, rents, vehicle leases, allowance and member electorate and constituency work.

With the reduction in committee activity in the 14th Assembly the DLA continues to leave a position in that area unfilled for the time being.

Chief Financial Officer, Diem Tang, is here today to answer any technical questions on the DLA budget and the Clerks and I will provide responses on policy and implementation as required.

I thank the committee for this opportunity to make an opening statement; I welcome your questions.

Mr CHAIR: Are there any questions relating to the opening statement?

Mr EDGINGTON: Thank you, Madam Speaker, for the opening address. I thank all of the staff of the Legislative Assembly, particularly Michael, who I hear is moving on. Michael, it has been a pleasure working with you. The work and support you provide is really appreciated by all the members. I feel that in the dealings I have had with you, you have gone over and beyond what is expected. I am sure when I say that, all the members that I speak to feel the same. Thank you for your service to the Legislative Assembly.

Madam Speaker, the survey results are very impressive. It shows that the Legislative Assembly is performing well over and above what would normally be expected. Congratulations on those survey results.

My first question relates to the Member for Blain's photo on the board in the Main Hall is now positioned after the Independents, so he is not next to the Labor Party members anymore. Who gave that direction to banish the Member for Blain's photo away from the rest of the Labor members?

Madam SPEAKER: I was not aware that a photo had been moved. A request has not come to me. I am not sure if there is any other information in regard to why a member's photo would be moved. It is definitely not a direction I have given as Speaker of the Legislative Assembly.

The CLERK: I do not know about it.

Madam SPEAKER: No, I am happy to follow up to try to figure out why a photo may have been moved.

Mr EDGINGTON: Perhaps we could take that question on notice?

Madam SPEAKER: Absolutely.

Question on Notice No 13.1

Mr CHAIR: Early start. Member for Barkly, please restate the question for the record.

Mr EDGINGTON: The Member for Blain's photo on the board in the Main Hall is now located after the Independents, so he is not next to the Labor Party members. Who gave the direction to banish the Member for Blain's photo away from the rest of the Labor members? When was that move authorised?

Mr CHAIR: Madam Speaker, do you accept the question?

Madam SPEAKER: I do.

Mr CHAIR: The question asked by the Member for Barkly has been allocated number 13.1.

Agency-Related Whole-of-Government Questions on Budget and Fiscal Strategy

Mr CHAIR: The committee will now proceed to considering the estimates of proposed expenditure contained in Appropriation Bill 201–22 that relate to the Department of the Legislative Assembly. Are there any agency-related whole-of-government questions on budget and fiscal strategy?

That concludes consideration of agency-related whole-of-government questions on budget and fiscal strategy.

OUTPUT GROUP 1.0 – PARLIAMENTARY SERVICES
Output 1.1 – Assembly Services

Mr CHAIR: The committee will now proceed to Output Group 1.0, Parliamentary Services, Output 1.1, Assembly Services. Are there any questions?

Mr EDGINGTON: What progress has been made with respect to recruitment of a new Clerk?

Madam SPEAKER: A recruitment panel has been established. It is being headed by the CEO of the Department of the Chief Minister and Cabinet. It comprises three other people, including the Commissioner for Public Employment, Ms Vicki Telfer. We also have a representative from another jurisdiction, who is a Clerk in a similar Legislative Assembly to provide their expertise in that process. The recruitment has been advertised nationally through a recruitment agency. I am waiting for an update to see when we can get the process to appoint a new Clerk.

Mr EDGINGTON: Has there been a cost allocated to that process?

Madam SPEAKER: Yes. That has been covered by the Legislative Assembly. The cost was $65,000.

Mr EDGINGTON: Standing Order 114(2) states:

> *A Minister should respond to a written question within 30 days of receipt. If a Minister does not answer the question within 30 days the Member who asked the question may at the conclusion of Question Time ask the Speaker to write to the Minister seeking reasons …*

Written Question number 16 regarding youth detention and staff safety was sent to the Minister for Territory Families on 16 March 2021, and was only received this month, well past the 30 days allowed. Written Questions 97 to 105 regarding agency administration were sent to all minister on 16 March 2021, and therefore have also gone past the 30 days allowed by about 58 days.

The agency administration questions are traditionally sent prior to each Estimates Committee to allow proper scrutiny of past expenditure and agency arrangements. In accordance with that standing order would you be able to write to the Chief Minister seeking reasons for those delays?

Madam SPEAKER: As it relates to standing orders, the appropriate channel would be for that to be raised by the Standing Orders Committee. Your first part of the question relates to the process that is in place where if a question is not responded to by the relevant minister within 30 days there is the ability for a member to raise that we me as Speaker and for me to respond to. I do not believe there is a current capacity for me to compel that the response be delivered in that time, but just to follow up. This could be raised with the Standing Orders Committee and I as a Standing Orders Committee member would be happy to investigate.

Mr CHAIR: That concludes Output 1.1.

Output 1.2 – Members and Client Services

Mr CHAIR: We will now move to Output 1.2, Members and Client Services. Are there any questions?

That concludes consideration of Output 1.2.

Output 1.3 – Building Management Services

Mr CHAIR: The committee will now consider Output 1.3, Building Management Services. Are there any questions?

That concludes consideration of Output 1.3 and Output Group 1.0.

OUTPUT GROUP 2.0 – CORPORATE AND SHARED SERVICES
Output 2.1 – Corporate and Governance

Mr CHAIR: The committee will now move to Output Group 2.0, Corporate and Shared Services, Output 2.1, Corporate and Governance. Are there any questions?

Mr EDGINGTON: How many executive contracts does the agency have, and can you provide a breakdown by level and cost?

Madam SPEAKER: There are three executive contract officers within the Department of the Legislative Assembly. There is one ECO1, one ECO3 and one ECO5.

Mr EDGINGTON: Has the number of executive contract officers increased or decreased since the last financial year?

Madam SPEAKER: It is exactly the same; unchanged.

Mr EDGINGTON: What was the total spend settling legal matters, paying judgement or satisfying legal cost orders in the last financial year up until 31 May 2021?

Mr CHAIR: I think the reporting period is 31 March, not May.

Mr EDGINGTON: We can go 31 March, but if there are figures to 31 May we are happy to accept those.

Madam SPEAKER: The total of legal cost incurred up to 31 March 2021 was $10,525.

Mr EDGINGTON: What specific activities and budget has been allocated in the year ahead for any emergency activities?

Madam SPEAKER: What do you mean by emergency activities?

Mr EDGINGTON: Any unplanned activities for the Legislative Assembly.

Madam SPEAKER: We only budget for planned activities.

Mr EDGINGTON: Last estimates we were told that of the $960,000 was allocated in the 2019–20 financial year for the installation of audio, visual and recording systems, $754,000 was revoted into this financial year. Has this equipment now been installed and the money spent or will it be revoted again?

Mr EDGINGTON: I will pass that over to Diem Tang as the Chief Financial Officer.

Ms TANG: The installation of an audio control system for Parliament House Chamber and committee room to maintain recording and broadcast of the Legislative Assembly meetings—we have $380,000 of the $960,000 revoted into the financial year 2021–22. It has been progressing and reduced from the $754,000 down to $380,000. The department is dependent on the expertise and assistance of DIPL and DCDD people to assist us in this project.

Mr EDGINGTON: You are satisfied that the $380,000 will be sufficient to complete that installation?

Madam SPEAKER: Yes.

Mr EDGINGTON: Are there any ICT systems due for replacement or upgrading?

Madam SPEAKER: That is one of the shared services that we rely on the Department of Corporate and Digital Development to ensure that the systems are up to date, because that is what we use.

Mr EDGINGTON: Who is responsible for purchasing the flags used by parliament and the electorate offices?

Madam SPEAKER: The Department of the Legislative Assembly. Are you talking about the flags that are displayed at the front of Parliament House?

Mr EDGINGTON: Those and the ones supplied to the electorate offices.

Madam SPEAKER: That is covered under the Remuneration Tribunal Determination for five flags. The department purchases those.

Mr EDGINGTON: Where are the flags purchased through or from? Does the Assembly comply with the Buy Local guidelines?

Madam SPEAKER: I will hand over to Madam Deputy Clerk, Marianne Conaty, for an answer.

Ms CONATY: The flags are purchased locally and in accordance with the Buy Local procurement policy.

Mr EDGINGTON: Would you know who the supplier is?

Ms CONATY: There are two flag suppliers we tend to use. I could not say with authority which one it was.

Mr EDGINGTON: Was that through an open procurement process?

Ms CONATY: We did not advertise for a tender because of the amount of expenditure. I have to check records.

Mr EDGINGTON: Could we take that question on notice?

Madam SPEAKER: Sure, I am happy to take that.

Question on Notice No 13.2

Mr CHAIR: Member for Barkly, please restate the question for the record.

Mr EDGINGTON: For the purchase of flags for parliament and the electorate offices, was the procurement an open process? Who was the supplier of those flags?

Mr CHAIR: Madam Speaker, do you accept the question?

Madam SPEAKER: Yes.

Mr CHAIR: The question asked by the Member for Barkly has been allocated number 13.2

Mr EDGINGTON: Have there been any complaints received in 2021 in relation to contracts awarded by the Department of the Legislative Assembly?

Madam SPEAKER: In the period up to 31 March 2021, no. We have since received one, which is outside the estimates period.

Mr EDGINGTON: How many agency vehicles were repaired for damage or written off, and what was the total cost of these claims?

Madam SPEAKER: Can I take that on notice? I do not have the details with me today.

Question on Notice No 13.3

Mr CHAIR: Member for Barkly, please restate the question for the record.

Madam SPEAKER: Member for Barkly, can you clarify whether you are referring to the Department of the Legislative Assembly or elected members and their vehicles?

Mr EDGINGTON: It will cover both. How many agency vehicles—which includes elected members and departmental staff—were repaired for damage or written off, and what was the total cost of these claims?

Mr CHAIR: Madam Speaker, do you accept the question?

Madam SPEAKER: Yes, I do.

Mr CHAIR: The question asked by the Member for Barkly has been allocated number 13.3.

Mr EDGINGTON: Are there any fully electric or hybrid electric vehicles being used by the agency?

Madam SPEAKER: No.

Mr EDGINGTON: How many freedom-of-information requests were lodged with your agency in 2020–21?

Madam SPEAKER: Can I take that question on notice? I do not have those details with me today.

Question on Notice No 13.4

Mr CHAIR: Member for Barkly, please restate the question for the record.

Mr EDGINGTON: How many freedom-of-information requests were lodged with your agency in 2020–21? Of those requests, please advise how many there were where full documentation was provided; the number where information was partially exempted; and the number where documentation was exempted or the request was fully rejected.

Mr CHAIR: Madam Speaker, do you accept the question?

Madam SPEAKER: Yes.

Mr CHAIR: The question asked by the Member for Barkly has been allocated number 13.4.

Mr EDGINGTON: How many decisions from freedom-of-information requests that were appealed.

Madam SPEAKER: One.

Mr EDGINGTON: Do you know whether any complaints were made to the information commissioner by any of the applicants to the agency?

Madam SPEAKER: No, because the appeal was resolved.

Mr EDGINGTON: What was the total amount of processing fees paid by applicants for information received?

Madam SPEAKER: I would have to take that question on notice.

Question on Notice No 13.5

Mr CHAIR: Member for Barkly, please restate the question for the record.

Mr EDGINGTON: What was the total amount of processing fees paid by applicants for information received?

Mr CHAIR: Madam Speaker, do you accept the question?

Madam SPEAKER: Yes.

Mr CHAIR: The question asked by the Member for Barkly has been allocated number 13.5.

Mr YAN: Madam Speaker, what is the amount or instances of damage to electorate offices across the Territory for the reporting period? Do you have a number on that?

Madam SPEAKER: I do not have the specific details with me. I would be happy to take that on notice.

Mr YAN: That would be wonderful.

Question on Notice No 13.6

Mr CHAIR: Member for Namatjira, please restate the question for the record.

Mr YAN: Could you provide the number of incidents where damage has taken place on electorate offices across the Territory?

Mr CHAIR: Madam Speaker, do you accept the question?

Madam SPEAKER: Yes.

Mr CHAIR: The question asked by the Member for Namatjira has been allocated number 13.6.

Mr YAN: What were the costs associated with that damage?

Madam SPEAKER: I will take that on notice.

Question on Notice No 13.7

Mr CHAIR: Member for Namatjira, please restate the question for the record.

Mr YAN: What were the costs associated with that damage?

Mr CHAIR: Madam Speaker, do you accept the question?

Madam SPEAKER: Yes.

Mr CHAIR: The question asked by the Member for Namatjira has been allocated number 13.7.

Madam SPEAKER: Member for Namatjira, are you asking for the amount of damage caused to electorate offices, and the second question is about the amount the department has spent to repair or make good …

Mr YAN: The number of incidents involving damages that have taken place and the cost of those incidents.

Madam SPEAKER: Thank you.

Mr CHAIR: That concludes consideration of Output 2.1.

Output 2.2 – Shared Services Received

Mr CHAIR: The committee will now consider Output 2.2, Shared Services Received. Are there any questions?

That concludes consideration of Output 2.2 and Output Group 2.0.

Mr CHAIR: Are there any non-output specific budget-related questions?

That concludes consideration of outputs relating to the Department of the Legislative Assembly.

Madam Speaker, on behalf of the committee, I thank you for appearing today and thank your departmental staff and officers. I wish you a very good afternoon.

Madam SPEAKER: Thank you very much, committee, you have done a wonderful job. I appreciate the time. I also put on the public record my thanks to the Clerk of the Legislative Assembly, Mr Michael Tatham; Madam Deputy Clerk, Marianne Conaty; Chief Financial Officer, Ms Diem Tang; and the rest of the Department of the Legislative Assembly.

Mr CHAIR: Honourable members, that concludes the committee's public hearings on the estimates of proposed expenditure contained in the Appropriation Bill 2021–22 and the Statements of Corporate Intent for Power and Water Corporation, Jacana Energy and Territory Generation.

I remind officers and ministers' staff that all answers to questions taken on notice must be given to the First Clerk Assistant by Monday, 19 July 2021.

On behalf of the committee, I again extend my thanks to the ministers, the board, Chairs and officials who appeared before the committee. I also take this opportunity to place on the public record my appreciation to everyone who has provided assistance, including agency staff.

I thank the members of the committee and other members who participated in the hearings for the work they have put in and for the overall manner in which these public hearings have been conducted.

I now formally close the public hearings of the Estimates Committee.

The committee concluded.