The Estimates Committee convened at 9 am.

Mr CHAIR: Good morning, everyone. 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: This morning we will be covering Power and Water Corporation. I welcome Mr John Langoulant, Chair of the Power and Water Corporation board. Mr Langoulant, I will ask you to introduce the officers accompanying you today. I will invite you to make a brief opening statement then call for questions relating to the statement. The committee will then move on to consider questions regarding the corporation's 2020–21 statement of corporate intent. I will invite the shadow minister to ask their questions first, followed by the committee members. Finally, other participating members may ask questions. The committee has agreed that other members may join in a line of questioning pursued by the shadow.

Mr LANGOULANT: Mr Chair, I greatly appreciate being invited to appear here today. I apologise for appearing in this format, virtually. It is my normal practice to appear at these hearings in person, but constraints still on air flight schedules from Perth to Darwin have meant it was not possible at this time.

The team from Power and Water before you are Djuna Pollard, our Chief Executive Officer; Martha Stewart, our Chief Financial Officer; Jodi Triggs, Executive General Manager of Core Operations; and Samantha Day-Johnston, Executive General Manager of our Transformation program. I cannot see all of my team there, but …

Mr CHAIR: They are here, Mr Langoulant, I can assure you. They are ready and waiting.

Mr LANGOULANT: Very good. I have a statement which will take about five or 10 minutes, if that is okay with you. It might set a bit of the scene for this morning's discussion.

Mr CHAIR: Yes, absolutely.

Mr LANGOULANT: We have other officers from Power and Water available to answer any of the questions which the committee has for us today.

I am sure you have heard this during the course of this week, but it is fair to say that the events in the past 12 months have tested everyone, with COVID-19 impacting everything we do. As an essential service provider, we responded quickly to the health crisis to safeguard the people of the Northern Territory and our own staff, particularly with our crews in the field and specialist teams like our system controllers.

We isolated and separated them early to prepare for the event of COVID-19 community transmission. We also continued to support our customers through these financially challenging times, engaging empathetically with them and providing them with a range of options through hardship programs.

Much has been said about this COVID-19 response, including recent recognition received by the Power and Water team through the Chief Minister's Awards. I take the opportunity to thank Djuna and her executive leadership team, on behalf of the board, for the way they handled the situation and prepared the business response for what we can only hope is a once-in-a-generation event.

Before I turn to the finances of Power and Water, I also take the opportunity to put on record my thanks to the employees of Power and Water for their continued dedication and commitment to serving our customers across the Territory through what has been a challenging year.

Onto the finances. The board and I were pleased to see the gas business produce a positive cash flow this year and reflect a profit of profits (inaudible) Power and Water entered into its long-term wholesale gas and transportation contracts in 2009. It is quite an achievement.

As you know, Power and Water supplies about 90% of the gas to the Territory's generation needs and supports the economy through gas sales to other Northern Territory-based customers, including the Tanami gold mine. Power and Water also supplies gas to customers on the east coast through the Northern Gas Pipeline.

This improved outlook for the gas business has allowed the board to conclude, for the first time, that the estimated cash inflows from future gas sales are now higher than the outflows; so there no longer exists an onerous contract as at the end of the 2019–20 financial year. This compares to only 12 months ago when we had an onerous contract value of negative-$67m. The (inaudible) provision has contributed to the strong profit that the gas team has made this year.

I also mention the improvement in our net debt position, which is $139m lower than expected and cash holdings of $67m which are $27m higher than the budget. Cash was available because of low unexpected capital expenditure, due in part to the re-prioritisation and rescheduling of critical works and COVID-19 travel access restrictions. A fiscally prudent decision was made to use that money to assist in the net repayment of $80m worth of debt during the financial year.

In regard to the financial performance targets on the government-owned corporations, as laid out in the government's fiscal repair strategy and reported in the Northern Territory Government's Budget Paper No 2, you will note that Power and Water did not achieve its target to limit operating expenditure growth for operating revenue growth. The main reasons for this are higher than expected personnel costs due to a refocusing of the resources away from repairs and maintenance and capital programs due to the COVID-19 restrictions and a reprioritisation for critical programs of works such as the Alice Springs System black and the technical works to support renewable connections.

In the medium to longer term the operating model program, which we have under way in Power and Water, is being designed to achieve this metric, that is that operating expenditure will not go as fast as operating revenues. However, in the immediate term that work also require as additional short-term or design and implementation, which is delaying the achievement of our target growth rates of expenditure of revenue.

In regard to the operating model program, it is pleasing to be able to report that a good amount of progress is being made on this front, which in future years should help us achieve these types of fiscal targets.

In the last year or so we have made a considerable progress on our organisational structural changes, which has seen lines of business reduced and shadow functions and duplications removed. We have also made good headwind on our major ICT system renewals, having gone to the market earlier in the year for advice and input on alternatives to our (inaudible) cash and financial systems. We are now progressing through our internal business gateway processes and will be releasing a request for proposals to select an ICT partner or partners to deliver our upgraded new solutions.

We are also implementing a new integrated health safety and environmental compliance and risk ICT solution to provide a single source of truth for information, notifications and investigations to support decision-making and reliable reporting across these essential parts of our business.

Operationally, while we are remaining COVID safe, of course, we have completed the connection of the six of the nine primary schools in Darwin to the underground power network. This has provided resilience to those locations during a major cyclone event and a place for the community to gather after an event where the power will be back on sooner than it would be for surrounding areas.

I also note that is has been over 12 months since the system black event in Alice Springs and much effort has been put in to rectify the technical process equipment efficiencies identified in the independent reviews that followed that event.

We have now addressed a significant portion of the recommendations attributed to Power and Water and continue to work closely with Territory Generation to close out those that remain.

Unfortunately addressing these recommendations will not mean we will never have another System black, but it will make sure we, as the network operator and system controller, respond quicker and more effectively and work with the likes of Territory Generation better to restore power in a much shorter period of time.

However, severe weather conditions impact our network along with other unforeseen issues, such as the gas supply disruption that occurred on 18 November impacting the entire Darwin-Katherine power distribution system.

I was very pleased to see we avoided a system black in that event and I was also very pleased to see that once the gas supply issue was resolved our system control team, together with Territory Generation, got the generators back online and power restored to all customers in a very reasonable period of time. In broad terms, I understand power was restored to 64 feeders in around 90 minutes, which is quite remarkable and I am sure we have the people here to provide more detail of this work if you would like to question that.

I also acknowledge there has been much said about the lack of communication updates from Power and Water during that event. We learned from that and will make sure we do better if circumstances like this appear again.

What I will say, is just how intense the situation can be when there is an almost instance loss of power to such a large part of the network—trying to get the information to find out what happened so ultimately power can be restored in the shortest amount of time possible. Again, we have the people here today to provide more detailed information on that incident.

On the water side of the business, I would like to mention our recent efforts in the remote space, where this year we have seen delivery of important remote infrastructure that ensures we keep delivering and providing community safe and secure water supply, whilst enabling economic development and growth and facilitating the delivery of the government's remote housing program.

There is not recognition of the Ngukurr Leak Reduction Program by the Australian Water Association, which showcases an example of the vital work we do through planning, development and community engagement. It ensures water security and reliability across the Territory and in remote communities.

It has been great to see our Living Water Smart program in the community. There are people winning awards, we are working with schools and driving the message to use water wisely. Earlier this year we passed a significant milestone with 3,000 students completing our program. This is a great initiative and one which I hope we can continue replicating across the Territory.

That is probably a longer statement than anticipated, so I will stop there. I will answer any questions from you or committee members. The team will respond to any technical details you have.

Mr CHAIR: Thank you, Mr Langoulant. Because Mr Langoulant is on the line, please ensure your microphones are on to allow him to hear what we are saying. I welcome Ms Pollard and staff.

Are there any questions on the opening statement?

Mr BURGOYNE: Thank you for your opening statement and for the officers being here today. Regarding financial performance, the annual report on page 20 sets forth that the operating expenditure was $84m higher than last year. Is that accurate?

Mr LANGOULANT: I expect it would be. I am happy for Ms Pollard or Ms Stewart to confirm that as well.

Ms POLLARD: Yes, I can confirm that is correct. For more of an explanation as to what has driven that variation, I will hand over to Ms Stewart to address your question.

Ms STEWART: Yes, that number is correct. I offer up the following commentary as the reasons for the expenditure for the last financial year, ending June 2020. The difference is driven by an increase in personnel costs. There was a refocus of resources away from repairs and maintenance and capital programs due to the COVID-19 restrictions. We would normally recover a lot of those personnel costs through capital recovery programs on the capital projects. Because the programs were not able to be delivered in part, there was an increase in that cost that had to stay in the operating expenditure line.

We reprioritised a lot of our critical programs at work, such as the Alice Springs System black, and the technical work to support the new renewables connections leading to a need for an increase in specialist personnel to work on specific and technically challenging projects.

Other causes for the increase in expenditure included: professional costs, which were higher than the budget due to an increased requirement for regulatory and other special projects, particularly System black; replying to recommendations; and operational transformation works.

We are in a period of immediate and medium-term expenditure in order to invest in our future to enable operating efficiencies in the medium and longer term. Those are the main drivers of the increase in operational expenditure.

Mr BURGOYNE: What were the personnel costs for 2019–20 and how does that compare to the budgeted amount?

Ms STEWART: The corporation requotes in its financial statements, employee benefits expenses at $100,693,000 for the year ending June 2020 and the budgeted amount $94m.

Mr BURGOYNE: Of that $84m we can see that $6m has come from personnel costs. In the statement of corporate intent, the personnel costs are also projected to rise to $102m in 2020–21 and $110m in 2021–22. Is that correct?

Ms STEWART: Yes, that is correct.

Mr BURGOYNE: In addition, the statement of corporate intent at page 68 projects the total controllable operating expenditure will continue to increase to varying degrees across the forward estimates, landing at $586m in 2023–24. Is that correct?

Ms STEWART: Yes, that is correct.

Mr BURGOYNE: What was the actual figure for total controllable operating expenditure for 2019–20 and how does that compare to the budgeted amount for that year?

Ms STEWART: Sorry, I do not have that exact detail. May I take that on notice?

Mr BURGOYNE: You certainly may.

Ms STEWART: I will attempt to address it throughout the course of our hour-and-a-half.

Question on Notice No 10.1

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

Mr BURGOYNE: What the actual figure for total controllable operating expenditure for 2019–20 and how does that compare to the budgeted amount for that year?

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 10.1.

Mr BURGOYNE: The budgeted amount for that figure, is it not in the statement of corporate intent on page 68?

Ms STEWART: Yes, that is correct, it is on page 68. I just do not have the actuals to hand at that same detail. I want to make sure the apples with apples happen.

Mr BURGOYNE: Mr Langoulant, the final report on budget repair, which you authored and the Gunner government adopted, recommends that the Gunner government develop clear sanctions that will be imposed in the event of non-compliance with each corporation's statement of corporate intent. Ultimately, the shareholding minister will also need to be prepared to undertake harsher measures for repeated non-compliance. What sanctions will apply to Power and Water Corporation for continued to non-compliance with its statement of corporate intent?

Mr LANGOULANT: That issue has not been discussed with the Chief Minister at this time. I think when you look at these matters it is important to look at, and I am not saying this by way of excuse, but you look at what were the drivers of variations from a statement of corporate intent. As the chief financial officer has explained, the variations in the most recent times have come about because of adjustments in priorities due to COVID and the responses to events such as the System black at Alice Springs, amongst other matters.

As we look forward across the budget for Power and Water, one of the factors driving our operating expenditure is the program of change we are seeking to build across the organisation. That is incurring professional expenses, which you have identified, including some consulting expenses. Also, the processes for procuring system upgrades are impacting on our expenses.

We have got a body of change happening across the next couple of years in Power and Water, which will put a challenge to that particular (inaudible) target and I would argue that for those reasons, it is justifiable. It will be justifiable provided that, by the time we get to the end of the forward estimate period in these (inaudible), we are starting to see the correction between revenue and expenditure growth. We will see that in terms of the improvements in operating performance and efficiency across Power and Water in that time.

(inaudible) will be regretted. These are not things which we would allow to happen lightly, but they are as a consequence of quite deliberative action to bring about efficiency in this organisation over the medium term.

Mr BURGOYNE: What work is being done to reduce personnel costs, which are projected to rise and continue to rise? Does Power and Water Corporation set its executive pay within the general public service bands or do you pay above those rates?

Mr LANGOULANT: As a general practice, for the vast majority of our senior executive group they are within the bands. We observe and have been observing the government's policy in terms of remuneration increases for the whole organisation, but most particularly to relate to your question, for the senior executives in our organisation. They have all been subject to remuneration freezes in the last couple of years. We will continue to observe the government's remuneration policy as it evolves.

Mr BURGOYNE: What is Power and Water Corporation's total net debt for the end of the fiscal year 2019−20?

Mr LANGOULANT: I might refer that to Martha, if she has the number in front of her?

Ms STEWART: Yes I do. (inaudible) at the close of 2019–20 were $1.162bn.

Mr BURGOYNE: Can you repeat that, it does not sound right?

Ms STEWART: Sorry, $1,162bn. I am taking that number from my annual report on page 22.

Mr BURGOYNE: What is the projected net debt figure for the end of 2020–21?

Ms STEWART: According to our 2020–21 SCI, on page 69, our (inaudible) projected for 2020–21 is $1.313bn in total.

Mr BURGOYNE: What proportion of the Territory's total net debt is attributed to Power and Water Corporation?

Ms STEWART: I am sorry I do not know the answer to that question.

Ms POLLARD: That is a question which would generally be referred to the Department of Treasury and Finance given that they have visibility of the borrowing profile across the Northern Territory Government.

Mr BURGOYNE: Mr Langoulant, 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. Is Power and Water Corporation meeting that KPI?

Mr LANGOULANT: As I said in my opening statement, we have not in the past 12 months. It is our objective to do that. The reasons we have not met that particular KPI—we talked about in your previous question. If it is okay with you, I probably would not go back and re-tread that ground. I can assure you that in terms of a fiscal target that we set ourselves, this is one of the targets. You cannot keep running expenditure growth faster than revenue growth. The only consequence of that is you start borrowing for your operating costs and we do not want to get into that situation. We do not want to run the organisation at a loss. We have clear objectives.

Mr BURGOYNE: I also note that the final report on budget repair also recommended that there be key sanctions for accountable officers who fail to adhere to budget measures. What sanctions are currently applicable to accountable officers in the Power and Water Corporation?

Mr LANGOULANT: The operating arrangement we have in place to meet budgets—I can assure you that across the board that we monitor the performance of the organisation extremely closely. We have a very engaged board. We have an audit and risk committee that scrutinises our financial performance on a regular basis.

The people who you have sitting in front of you today, in particular Martha Stewart the chief financial officer, is acting in this role so we are in the process of filling that role on a permanent basis. There are no sanctions. We do not believe that at a board level that there is a case for applying any sanctions to our senior team. In my view, our senior team is working extremely well and achieving sound financial management of this organisation even though we are not meeting the fiscal targets right at the moment.

I have explained the reasons as to why we are not meeting them at the moment. We have a program of work in place which, over the course of these budget estimates, we will achieve these fiscal targets and you will see a strengthening in the financial performance of Power and Water.

Mr BURGOYNE: So you would expect government ministers to ensure sanctions against their own operating officers but not that of your own?

Mr LANGOULANT: If the government wanted to impose any discipline for the financial performance of Power and Water, it should be applied against me.

Mr BURGOYNE: Fair enough.

Mr LANGOULANT: That is the point of accountability between the government and the board.

Mr BURGOYNE: In 2019, the Australian Energy Regulator released the Power and Water Corporation distribution determination, which allows Power and Water which allows Power and Water to recover $759m from its customers over the five years from 1 July 2019 to 30 June 2024. That determination also required Power and Water to achieve 10% network and corporate overhead efficiencies. How do you intend to reach that goal by 2024 when operating expenditure is actually increasing across the forward estimates?

Mr LANGOULANT: I will refer to that back to Djuna if I can because it is quite a complex issue. What you are talking about, in terms of the AER versus the whole financial performance of Power and Water, are two different things. If I could ask Djuna or any other member of the team to respond to the question.

Ms POLLARD: I will start with the AER, the Australian Energy Regulator's determination handed down in April last year. That was the first time Power and Water Corporation came in under the Australian Energy Regulator regime. What that meant for us was a significant reduction in revenues across the next five-year regulatory period, to the tune of $150m over that period. If we average that out, it is approximately $30m reduction in revenue each year.

Further to that—going back to the 10% efficiency on the operating expenditure—as part of the AER's determination, it allowed us to achieve those efficiencies over a five-year glide path, which is over the course of the regulatory period as opposed to up front in the first year.

Mr Langoulant has already referred to a broader program of work that we have in play at Power and Water, and whilst we are not necessarily seeing those efficiencies reflected in our financial projections in the 2021 SCI, our broader program of work spans out to FY 2026–27, by which time we will be well on our way to being an efficient business in the eyes of the Australian Energy Regulator.

I am happy to provide more detail on what that operating model program entails, but it is across streamlining processes in our business, removing of duplication of functions we have had in the business and consolidation of functions. There is a significant ICT component in that as well.

Mr BURGOYNE: I think you covered this somewhat in that answer, but is there a plan to achieve those efficiencies going forward?

Ms POLLARD: Most definitely. The process and systems piece are heavily interrelated. The more we continue to refine our processes and get the appropriate ICT fit-for-purpose solutions into our business, the more we will see those efficiencies.

Mr BURGOYNE: I note that at the same time operating costs are rising, electricity network revenue is projected to decrease over the 2020–21 period. Is that due to the AER determination either in part or entirely?

Ms POLLARD: Largely the AER now determines our electricity revenue for the business. The most predominant component of that is our standard control charges. That is one component of the broader makeup of electricity pricing that gets charged to customers in the Territory.

Mr BURGOYNE: Mr Langoulant, your final report on budget repair calls on Power and Water and other government-owned corporations to support budget repair through sustainable dividends. Is there a dividend projected over the forward estimates?

Mr LANGOULANT: It is our intent to provide a dividend to government where we can. We had a dividend available to the government in the year just finished. It is my recollection—I will probably ask Martha or Djuna to confirm this with you—that we have projections for dividends to be paid across the forward years.

Ms STEWART: Yes, that is correct. We do have projections in the forward years to supply dividend back to government.

Mr BURGOYNE: The objects clause of the *Government Owned Corporations Act 2001* mandates that government-owned corporations operate at least as efficiently as any comparable business and maximise the sustainable return to the Territory on its investment in the corporation. Not only are dividends not currently being paid, but each year Power and Water is spending more than it earns, adding to an enormous debt. Is Power and Water living up to its obligations under the *Government Owned Corporations Act*?

Mr LANGOULANT: I believe we are, for a range of reasons. It is a very challenging environment in the Territory at the moment. That will not be news to anyone sitting around the table. In economic conditions (inaudible – five second audio glitch) revenue growth into the business is nowhere near as strong as it has been in the past. Despite that, we continue to operate for profit. I mentioned the gas side of our business has significantly good prospects and we are working hard to bring strong commercial returns through it.

We will operate as efficiently as we can in our power system, subject to the determinations of the Australian Energy Regulator, which we have just talked about. It provides challenging circumstances for us, particularly in an environment where we have limited room for expenditure reduction. Another dimension to my answer is what we talked about already, which is the program of change we are bringing across this organisation to improve its efficiency. That work program has its rewards in later years.

For all these reasons and by looking at the underlying level of performance of your organisation, I can say we are continuing to pay our dividend to the government. It is not as large as we would like it to be but it is still a dividend. If you look across corporate Australia in recent times, there has been significant suspension of dividend payments to shareholders due to economic circumstances. We are not immune to these broader economic conditions which are impacting across Australia and the Territory.

Every day we strive to achieve a commercial rate of return given all the constraints we work under. As a consequence of that we are focusing our remit and it is true to the requirements of the act.

Mr BURGOYNE: Are you suggesting that in a year if Power and Water Corporation does not accumulate a profit, a dividend is still paid to the government?

Mr LANGOULANT: We have been continuing to pay dividends to the government. In the last financial year we paid one.

Mr BURGOYNE: What was the total cost of that dividend?

Mr LANGOULANT: I think it was $1m. That drives the point that we respect that requirement. We understand it is a requirement of the organisation and seek to meet those obligations.

Mr BURGOYNE: Yes. In essence, to meet those obligations you are placing Power and Water Corporation into further debt.

Mr LANGOULANT: Most of the debt is coming from our capital program, not from our operating performance. Most of the accumulated debt in Power and Water in recent years has been because of the capital enhancements we have been making across the power and water system for the Northern Territory.

Mr BURGOYNE: You paid a dividend of $1m. Has Power and Water Corporation had to go back to the government to fund any operating costs over the last financial year that were within the budget?

Mr LANGOULANT: No, I do not have recollection of going back to seek any of that sort of assistance. In terms of commercial performance and leaving aside the IES component—the Indigenous Essential Services component of our operations—all of the operations are standalone commercial operations. We receive community service obligation payments from the government through different components of the business. This is because we provide services at less than commercial rates of return.

Mr BURGOYNE: The statement of corporate intent, on page 88, describes the transformation program and a cost of $88.1m over the forecast period. This equates to a cost of $1,000 per customer. What will the outcomes of the program be and will there be return on investment for Power and Water Corporation from this program?

Mr LANGOULANT: I will ask Djuna to provide you with the details of this. This is a change to our operating arrangements. It is a significant piece of work, which we have had under way now for the last couple of years. Transformation is a big word, but in this instance, we will make significant changes to the way Power and Water goes about its business and operations.

The cost, which you mentioned, is an upfront cost and includes system renewals—largely ICT system renewals as well. That will enhance efficiency. It is our expectation that we will get a commercial return from this investment, but it will take a few years for that to be realised.

I will leave it there and ask Djuna to talk about the transformation program more broadly. I think you will be impressed by the detail.

Ms POLLARD: I am certainly happy to provide more detail about our broader operating model program. I may also invite Samantha Day-Johnston, Executive General Manager of our Transformation program to add any further comments or address any further questions you may have.

As our chairman mentioned, we have been on this journey for approximately two years. Our operating model is about redesigning the way we operate as a business moving forward. It is not just about ICT systems; it is essentially doing things a lot better and more efficiently than we have in the past.

It is a multiyear program of work. We have started but we will be continuing on this journey and through this program out to FY 2026–27. What we are trying to do is improve the way we deliver our services, not only driven by the Australian Energy Regulator into our energy or electricity networks business, but across our business into water, sewerage services and also into service delivery into remote Aboriginal communities. As we progressively improve that service delivery and drive those efficiencies through our business, we will be improving the value to our customers and our shareholders.

I will talk a bit about our future state vision and then I want to talk about the external and internal drivers for this program. Our future state vision, as a multi-utility—Power and Water, you would appreciate, faces a unique operating environment. We operate with high complexity and high risk. Whilst we have a vast area and land mass to cover across the Territory, we have quite a small customer base when we are compared to our industry peers.

We are working to become a more efficient, customer-focused and responsive organisation via implementation of this new operating model and uplifting the capability we have in the business across a number of areas. We want to create a consistent experience for our customers and developers through centralised customer services and improving integration of our supporting functions. We also want to provide our customers with improved self-service capability enabled by reliable and timely data. We are also doing a lot—which I am sure we will be discussing this morning—to support the Northern Territory electricity market reforms and increasing renewable energy penetration through improved and better integrated metering, billing and market settlement systems and processes.

We need to enable our organisation capability to be shared for the benefit of not just our regional and major centres, but also to improve our services into remote Aboriginal communities. In doing this, we will be improving efficiency of our financial management processes by enhancing the connection between physical assets—our assets in the field—through to the financial arrangements for those assets into our financial system. We will also be continuing on our best-practice asset management journey to ensure that we have effective balancing of asset investment and performance and, more importantly, asset risk.

We are improving our structures, ITC systems and processes to create a far more integrated, efficient and high-performing organisation that our people are proud of and our customers trust moving forward.

We have spoken a bit this morning already about some of the drivers—the Australian Energy Regulator being one, obviously it is a significant revenue reduction for us off the back of its determination last year. But we also have growing expectations from our customers to deliver more choice in services and the way in which we do business with them. We also have increasing renewable energy and the need to support the Northern Territory electricity market reforms. Internally, there are also a number of drivers, such as historical under-investment in technology with core systems no longer being fit-for-purpose, are out of vendor support or unable to support the core business operations and compliance obligations that are ever increasing.

We have system integration on our ICT side of the business that is lacking, resulting in excessive manual workarounds and unacceptably long time frames for financial, safety, risk and compliance reporting. We have poor structures that have created unclear accountabilities and shadow functions and significant capability gaps compared with our industry peers and benchmarking, which is undertaken very robustly and rigorously by the Australian Energy Regulator.

That hopefully gives you a bit of background on the journey we are on, in terms of redesigning the way we operate as a business moving forward. I am also happy to share some the key achievements we have gained so far, given that we are some two years into this program but still have a way to go.

Mr MONAGHAN: You touched on those improvements, particularly, and spoke about the renewables target for government. Can you expand on what Power and Water is doing to contribute to that target?

Ms POLLARD: At Power and Water we perform a number of functions to enable renewable energy connections and enable the government's 50% renewable energy target. In our power services business, they are predominantly responsible for power system planning and the physical connection of the renewable installations, be it a solar power station, a battery energy storage system—those sorts of things.

They are two of the functions we get heavily involved in. In our system control business there is a quite a robust and rigorous testing and compliance regime undertaken to ensure that as we connect renewable energy sources into our electricity systems, we are doing it in a safe, secure and reliable fashion, because the key regulatory obligation for system controller is to ensure we have system security in place.

The other function we perform is settlements and dispatch of the various generation sources. Traditionally, most of our markets—well certainly the Darwin-Katherine and the Alice Springs market have been designed just with one generator in mind. Since 2015 we have had interim electricity market arrangements in place in Darwin-Katherine to provide for an additional or a second electricity generator. But as you would appreciate once we start to get more renewable energy sources coming into the systems, we need the market designed to accommodate for more than one or two generators in a market.

There is quite a bit of detail that I can go into. But to simplify it we have to work out ways and rules of being able to dispatch these new forms of generation as well. That is part of the work we have been undertaking through our system control function at Power and Water. Once we have those generators in the market then we also have to do the settlement of the financial transactions through our market operator functions so that everybody gets paid appropriately for the generation that they have produced. There are quite a few functions that we perform in terms of enabling the 50% renewable energy targets.

Mr MONAGHAN: You are responsible for setting up those micro-grids, in a sense.

Ms POLLARD: We are certainly responsible for ensuring they are connected to the network with the physical connection component and then making sure the installations are not commissioned until such time as we can ensure there is system security and safety.

Mrs LAMBLEY: As a former shareholding minister of Power and Water before it was separated into three entities in 2012 and 2013, I remember the monumental problems within this government-owned corporation as it was then. It is really refreshing to hear your honesty about the problems that still exist. It has been a long road; the problems existed before I came along.

Is Power and Water financially viable? Has it reached that point where it is now a viable government-owned corporation?

Mr LANGOULANT: Can I start and I will give my team a minute to reflect on their answers as well? My immediate response to your question is that it is financially viable. Can it be made to be a stronger, more sustainable organisation with a reduced reliance on debt? I think it can be. It has a fair bit of work to do to get to that position. We have been talking about that since this session started.

The program of work we are undertaking, which Djuna just outlined—this transformational program or the change in how our operating arrangements work—is probably one of the largest pieces of work that any organisation in the Northern Territory has been subjected to. It is a big body of change and we are moving through it with a deliberately cautious approach.

You cannot move organisations through change of this nature too quickly. Normally you will find failure when you do that. It is one of the reasons why it will take us a few years to start to realise the benefits from this program.

My answer to your question is that it is financially sustainable and we think we can make it even more sustainable but we have to undertake this body of change. I might let the team add their views.

Ms POLLARD: I was probably just going to say most of what our Chairman said, so I do not have anything further to add.

Mr BURGOYNE: What is the current percentage of solar into the grid?

Ms POLLARD: I will refer that to Jodi Triggs, Executive General Manager of Core Operations.

Ms TRIGGS: Primarily the source of solar currently comes from behind the meter, rooftop solar on household and commercial premises. It varies from up to 13% on a day down to 5%, depending on cloud cover. We have a significant amount of large-scale solar generation expected to connect to the system in the coming 12 to 24 months—over 100 megawatts of solar generators with approved connection applications. so that will significantly change.

Mr BURGOYNE: Have you done any projections or modelling on how that will affect grid stability?

Ms TRIGGS: Yes. We have a piece of work under way and are seeing the impacts already. This year we had a day where the daytime minimum low got down to 67 megawatts, which is 20 megawatts lower than the previous year. That behind-the-meter solar is already impacting how we operate the system and we have had to implement changes to address that. Some of those have been how we operate the big generators, but we have also invested in new tools that forecast the impact of cloud cover on behind-the-metre solars.

If you look our webpage now you will be able to see a five-minute update of the load forecast. You can see what the solar output forecast is to be in the next five minutes from all of the rooftop solar panels. That is available in our control rooms. Our controllers can see what is happening and then they can more efficiently dispatch the large gas generators. It is definitely a moving feast, and we are tackling the same dilemmas that the rest of the world is. I am not sure if anyone has followed this space, but the trilemma they talk about quite broadly—so that balancing price, reliability but also system security and customer outcomes.

Mr BURGOYNE: System control falls under the responsibility of Power and Water, is that correct?

Ms TRIGGS: Yes, that is correct.

Mr BURGOYNE: Following the System black event in Alice Springs in 2019 the Utilities Commission released the results of its independent investigation into the event. That report included 15 urgent recommendations to avoid similar System blacks. How many of those recommendations related to system control and how many have been completed?

Ms POLLARD: I will make a start on that. On 13 October last year—it was a Sunday just after 2 o'clock in the afternoon—we had a system black event in Alice Springs that saw an immediate loss of power to approximately 12,000 customers.

Following that the Utilities Commission engaged the consulting firm, Entura, to perform an independent investigation, which resulted in 15 recommendations that needed to be completed by us and Territory Generation.

We have a lot to work through. I returned to Power and Water just as we were receiving that report and there has been an intense effort and body of work, not only within Power and Water into system control and power services, but also working collaboratively with Territory Generation.

I will provide updates against some of the recommendations. The Hudson Creek control centre monitoring of the Alice Springs electricity system has been enhanced and we have additional alarms, solar forecasting, as Jodi mentioned, and spinning reserve displays to improve the operational awareness for the operators in Alice Springs and here at system control.

A number of operational protocols and procedures have now been reviewed, modified and agreed between Power and Water and Territory Generation. We have had operational personnel from Power and Water and Territory Generation trained to use control room major event protocols, black start and system restart procedures.

We also developed, through Power and Water, a life support unplanned outage notification process, which was one of the recommendations from that report. As part of that process customers with life support equipment and relevant personnel at the Department of Health are advised when power outages occur.

Power and Water has also implemented a mitigation strategy to minimise blackout risks in Alice Springs, which requires Territory Generation to maintain adequate spinning reserve and a minimum number of machines in service at all time. The faulty under-frequency load-shedding scheme equipment has been repaired and tested and is providing protection against total system blackout during major emergencies.

COVID-19 unfortunately has hampered of our efforts on some of the recommendations, largely as a result of the technical expertise required to pursue those recommendations. We needed consultants to travel from interstate. Unfortunately, recommendation four is one example. It relates to the automated generator control review, that has not been completed at this stage, but we are well on the way to that now with the COVID travel restrictions being somewhat lifted.

That gives you a snapshot of where we got to in the progress against recommendations. In terms of the number that Power and Water still have outstanding, we have completed 90% of the recommendations and largely all the Power and Water ones are either complete or very close to complete. All except for recommendation 12, which is ‘under-frequency load-shedding scheme’; which we cannot complete until all the TGen recommendations are completed.

Mr BURGOYNE: That automatic generated control system you mentioned, which has not been completed—what are the risks of another System black this summer as a result of that not being in place?

Ms TRIGGS: The automatic generated control—we have a report with a number of recommendations that will be implemented in the coming months. It is not essentially where we would see the highest risk, we can control the power system remotely without that. We have put controls in place. We have risk notices that run the generators to a higher level of redundancy to prevent, as much as we can, further outages while the recommendations are completed.

Mr BURGOYNE: Do you have a cost per quarter on what it is costing Power and Water to keep the Ron Goodin Power Station operational in Alice Springs?

Ms POLLARD: The Ron Goodin Power Station is owned by Territorian Generation, as is Owen Springs Power Station. Unfortunately, Power and Water is not able to answer that question, maybe TGen could.

Mr BURGOYNE: I will wait with eager anticipation to ask again. Similarly, the report recommended that Power and Water Corporation and TGen come up with measures to ensure that spinning reserve does not fall below eight megawatts during the day, even for brief periods. Has this been completed and put in place so that another System black does not occur and cause load shedding?

Ms TRIGGS: Yes.

Mr BURGOYNE: Yes, that is fantastic to hear. Obviously spinning reserve needs to be sufficient to prevent a blackout, but is there not a significant cost incurred if spinning reserve is set too high?

Ms TRIGGS: Yes. There is a cost for providing spinning reserve. It essentially means you have a generator sitting there with extra capacity and it may mean that you have turned another generator on to ensure capacity is there. There is definitely a balance between system security and cost.

Mr BURGOYNE: I can go back to the question I asked before about Ron Goodin. Is the spinning reserve in Alice Springs currently set too high?

Ms TRIGGS: For the current system, no. I think if we have completed all the studies and everything to undertake system studies to set it at a lower value, we should do so then, but we need to be able to do the studies first.

Mr BURGOYNE: The Utilities Commission report recommended that a report be prepared for government on measures to improve solar forecasting and ensure the ways data is held by the party responsible for maintaining spinning reserve—I assume that would be TGen. Has that report been completed?

Ms TRIGGS: There is solar forecasting in Territory Generation's Remote Operation Centre as well as our control room. That comes from a third-party satellite forecaster. What I spoke about earlier for the Darwin-Katherine system—how we have it on our web page, which is total load—we are expecting to have the same available for Alice Springs in the coming months. We are just improving the accuracy of that at the moment.

Mr BURGOYNE: Currently, there is no cloud forecasting for Alice Springs for the coming months?

Ms TRIGGS: There is. It is the satellite cloud forecasting, which forecasts the cloud coming in and the impact on solar. The extra bit we want is to combine that with total loads. It gives you a single number rather than looking at cloud forecasting as well.

Mr MONAGHAN: How are the new technologies that you have brought on line impacting that? What other new technologies that you have brought on line to do that piece of work?

Ms TRIGGS: Two third-party providers have satellite forecasting. They have sophisticated algorithms that look at cloud formulation and overlay that onto where the rooftop solar installations are on the system. Based on the size of those installations, they calculate what they think the impact will be on the output of the solar systems.

That is the fundamental of where we get our cloud forecasting from and overlay it into a load forecasting tool to look at the underlying demand from customers.

Mr MONAGHAN: Is the Alice Springs Airport part of that system?

Ms TRIGGS: Yes.

Mr BURGOYNE: I now move onto questions regarding gas that was mentioned in the opening statement. Each year the SEI includes optimistic projections for revenue from gas but each year the actual revenue from gas seems to be lower than expected. This was the case in 2018–19 and appears to be the case for 2019–20. This year, the forecast predicts an increase from $253m to $376m in 2023–24. How confident are you in your projections considering past results?

Mr LANGOULANT: Ms Pollard, I am happy for you to answer that. I was on mute; it is an occupational hazard.

Ms POLLARD: You are on the screen behind me, which is not helpful.

Ms Stewart can add to this and we also have the General Manager of Gas in the room next door. What we saw for 2019–20 financial year was a shift from previously having what we call an onerous gas contract with Eni that was struck in 2009 and runs through to 2034. It is the first time that the gas contract has been deemed as no longer onerous.

We are confident with the projections we put forward and have a gas strategy which looks to mitigate potential risks associated with the increase in renewable energy that offsets or displaces traditional electricity generation. We are already selling gas to third parties and other customers. The more recent one, you may be aware of, was the gold mine in the Tanami region. We will continue looking for third-party sales.

We are selling gas into a spot market on a daily basis as well. This shows we have a number of mitigating strategies in place to ensure we are getting the value we anticipate out of long-term gas contracts. I invite Mr Murphy to provide further.

Mr MURPHY: Unless there are any questions?

Mr BURGOYNE: You have touched on a couple of things I would like to go into further. There is an increase uptake in renewables and I thought this would lead to a reduction in demand for gas. At the moment we have a take-or-pay contract with Eni, which you mentioned. My understanding is that the contract continues until 2034. Will we end up with more gas over time and less demand for it?

Mr MURPHY: The gas business has changed recently and have seen the problem coming regarding renewables. It will ethically erode gas demand. Originally the gas part of Power and Water had a primary role of supplying fuel for generation purposes. This has historically been its role. The commissioning of the Northern Gas Pipeline has opened up new markets for Power and Water to supply gas. We are selling a large volume of gas over there.

At the moment we are running almost full and as hard as we can. We are pulling all the gas out. The forecasts show the combination of reducing demand from renewables and increased demand down south. They have issues down there in terms of potential future supply shortfalls. That is a good market for us.

There are pipelines looked at to provide other avenues into the market. The market there is counter-cyclical, so when demand is high in the NT they are generally in their low period. Victoria, for example, will be in its peak period when we are in our low period. Obviously, solar erodes generally in the Dry Season with lots of sunshine around.

The long and short of it that we do not see a problem. We are running at maximum almost right through this period at the moment. What is common is the generators are taking a lot of gas. There are a number of deals we are negotiating out and we expect that to continue into the future, particularly as the east coast starts to go short.

Mr BURGOYNE: I picked up on the ‘almost’ using all the gas. What happens to the excess gas?

Mr MURPHY: Under our arrangements, there is flexibility. We have what is called gas table pay arrangements. We are forecast to always be above our table pay.

Mr BURGOYNE: Is any of that gas burnt off?

Mr MURPHY: Burnt off? How do you mean?

Mr BURGOYNE: I mean if you have an excess of gas and nowhere to store it, is that gas, essentially, burnt off?

Mr MURPHY: No, it stays in the field. We just draw from the field the gas we need for the customers. Effectively, it is like storage vessel. The gas remains there until such time as we need it.

Mr BURGOYNE: Even if the east coast demand for gas grows, will this increase sales from Power and Water Corporation going forward?

Mr MURPHY: Potentially, yes.

Mr BURGOYNE: Will the cost of transporting gas there outweigh the viability of selling it to the east coast market?

Mr MURPHY: You always have to take into account the price of gas. Gas is a commodity where prices go up and down, so it is always dependent on the price. At the moment, even throughout COVID-19, when the price has dropped, we still have been in negotiations for longer-term gas sales. Obviously, if the market goes short on the east coast the prices will increase, in which case the higher the price means we can cover the transport costs. We have done a number of deals and are negotiating a number at the moment which will be profitable, even at current prices.

Mr BURGOYNE: That leads into my next question, regarding the gas strategy described in the SCI on page 12. How many new gas purchase sales and transportation agreements has Power and Water Corporation entered into since the development of that strategy?

Mr MURPHY: I will have to take that on notice. The exact number? There have been a number of agreements signed.

Question on Notice No 10.2

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

Mr BURGOYNE: Can you please describe the gas strategy that is described in the SCI page 12? How many new gas purchase sales and transportation agreements has Power and Water Corporation entered into since the development of the strategy? What is the revenue to Power and Water Corporation from those arrangements?

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

Mr LANGOULANT: Yes, that is fine.

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

Mr BURGOYNE: I will move on to water. I understand—and the Member for Barkly sitting beside me is very passionate about this—that discussions have been under way at Alpurrurulam—Lake Nash—for a number of years to improve the water supply and quality by connecting the community to a new bore field on Lake Nash Station. Is any funding set aside for this project? When will the new water supply be available?

Ms POLLARD: Member for Braitling, I have Steven Porter, Executive General Manager of Water Services, sitting in the room next door, so I will invite him in to address your question. You may need to repeat it for him.

Answer to Question on Notice No 10.1

Ms POLLARD: Whilst we are waiting for Mr Porter to join us, we have the answer to the earlier question from the Member for Braitling in relation to the controllable costs. I invite Martha Stewart to provide that answer.

Ms STEWART: The question was: what was the SCI budget amount for controllable operational costs for 2019–20.

The budgeted amount was $460.4m. The actuals for the year ending 30 June 2020 were $501m.

Mr CHAIR: Member for Braitling, do you want to repeat the question about water supply?

Mr BURGOYNE: Discussions have been under way about Alpurrurulam for a number of years to improve the water supply and quality by connecting the community to the new bore field on the Lake Nash Station. Is there any funding set aside for this project and when will the new water supply be available?

Mr PORTER: Lake Nash is on our list of high-risk communities, but it is not our highest risk community. We are progressively working our way through the communities according to the priority and the risk to the water source. Lake Nash is on the radar, but it is not on our immediate radar.

Mr BURGOYNE: No plans for Alpurrurulam in the next financial year.

Mr PORTER: Not from Power and Water. That may be one of the communities getting funding from another source. I would have to take on notice just what that other source may be and the program relating to that.

Mr MONAGHAN: Just a follow up question on that one; it relates to particularly remote water practice. The new innovative strategies you have for moving forward to ensure our water tables remain full and accessible, particularly I know one of your recent employees had a trip to Israel to study some of their world practices. Are you able to discuss what learnings have come from that and what may impact our practice going forward in the Territory?

Mr PORTER: Yes, one of our employees won a Churchill scholarship and did a study tour through Israel. The aspect in terms of what we bring back really does relate to our understanding of the sustainability of the aquifers we draw down on. Through the information that has been provided we are working our way through a number of details on the aquifers to understand them. That is the fundamental starting point for us in terms of all of our water security planning. It is actually understanding the source, the sustainability of the source and the location. These are some of the things that did come out through that study and for us it really is the fundamental part of it, not necessarily the new technologies that may be available because there are some really fundamental things we need to work our way through before we start looking into some of the new technologies.

Mr MONAGHAN: Does that include the receding of some of those aquifers through periods of time with our Wet Seasons?

Mr PORTER: Yes, certainly some of the sites have aquifer recharge under way and we put water back into it when it is available, then draw it down when we need it.

Mr BURGOYNE: The second-largest of the water treatment plants, meant to be installed in order to manage the impact of PFAS ground water contamination in Katherine—when will that finally be delivered? Just wanting a bit of an update.

Mr PORTER: Work is under way on the Katherine PFAS treatment plant. Two bores have been equipped and the slabs for the tanks have been installed. The large pressure vessels that hold the resin to treat the PFAS have been received and we have been progressively letting the contracts to do the construction work. Most of the major contracts have been tendered and let and work will be seriously commencing over the weeks and months ahead. Our current timetable is to have construction finished by mid-year and then go through a commissioning period of two to three months.

Mr BURGOYNE: What was the initial estimate for that facility to be up and running?

Mr PORTER: When we first looked at this facility—and it still is cutting edge technology. At the time we had a concept level estimate of around $15m to $16m, based on what was known at the time.

Mr BURGOYNE: When was it expected to be up and running?

Mr PORTER: At the time, we thought it would be in place by late 2019 or early 2020.

Mr BURGOYNE: Obviously that has not happened. Do you have a forecast for when that will be completed?

Mr PORTER: We are planning to have the construction finished by mid-2021 with a two to three-month commissioning period after that.

Mr BURGOYNE: How much water can the current emergency treatment plant clean and what percentage of Katherine's drinking water does that represent?

Mr PORTER: Could you please clarify the question?

Mr BURGOYNE: Certainly. How much water can the current emergency treatment plant clean and what percentage of Katherine's drinking water does that represent? Earlier in the year there was a lot of talk that if the Katherine River muddied the treatment plant it would only be able to treat so much water. Bottled water was spoken about having to be trucked in. I am trying to get an idea of what percentage of the current treatment plant, using current water, represents Katherine's drinking supply.

Mr PORTER: In response to the event you are referring to, we had in place a number of contingency plans and looked at a range of options from bottled water to other mechanisms to offset the water consumption. The proposal we developed, and have in place at the moment, is to use pressure vessels that were and will be used for the future the PFAS treatment plant. We have hooked them up and can run PFAS groundwater through the vessels. They are capable of producing up to eight megalitres per day.

If we have a blackwater event we will be able to provide clean drinking water to the community by accessing the groundwater and putting it through the treatment process that is proposed for the final treatment plant. The current consumption for Katherine is in the order of eight to 10 megalitres per day. We believe that if a blackwater event occurs, we will be able to meet the majority of the needs of the Katherine community.

Mr MONAGHAN: Further to that point, is that a similar filtration plant that you put in at Adelaide River a few years ago to remove the manganese and iron?

Mr PORTER: No, it is a different technology. The technology to treat PFAS is far more complicated. It involves cutting-edge resin technology to extract the PFAS compound. It is a different treatment methodology.

Mr BURGOYNE: How many bottles of water are currently stored offsite—I guess from Katherine—in preparation for a blackwater event?

Mr PORTER: From memory, there were several hundred thousand.

Mr BURGOYNE: Several hundred thousand bottles of water have been purchased and are currently in storage?

Mr PORTER: Yes, that was one of our contingency plans. As we developed our solutions it was the case of what could we do in the here and now. The most obvious solution was to purchase bottled water which is now available in the community. It can also be reused in other communities if we need it in any other remote communities that may suffer from water security issues.

Mr BURGOYNE: Are you happy to take the question on notice regarding the exact number of the bottles or water? I am interested in several hundred thousand.

Mr PORTER: I can clarify that we have 360,000 litres of bottled water.

Mr BURGOYNE: That is 360,000 litres of bottled water in different sizes, or are they all—I am trying to get an idea or what has been prepared?

Mr PORTER: I do not know the exact size.

Mr CHAIR: Are you saying you do not know the breakdown between 500 millilitres, 600 millilitres, one litre, two litres or four litres?

Mr PORTER: No, sorry. I would have to take that on notice.

Mr BURGOYNE: That is fine. In my mind I am trying to understand what has been prepared for Katherine.

Member: I am sure there will be large containers stored as well.

Mr PORTER: I take that point to say that the planning of this looked at the 10-litre containers but it became obvious that those containers, due to the fires earlier in the year, were not available. The alternative was to go to the more customer friendly ones that people can pick up and take away. We do not have the 10-litre containers but have the smaller ones.

Mr BURGOYNE: Thank you. That highlights the level of preparedness.

Ms POLLARD: It is equivalent to about three-and-a-half days' worth of supply for Katherine. It would not be in the form of bottled drinking water; it would be packaged containers that would be set up at distribution points around the township of Katherine and collected from those distribution points.

Mr BURGOYNE: What procedures have been put in place to ensure the distribution of that water and that everyone will have enough in Katherine?

Mr PORTER: The incident management team that was set up did quite a lot of planning in identifying the locations around town that would suit the community. Three locations were identified. The logistics of getting water to those sites and then distributing was worked out in conjunction with logistics experts. There is quite a robust and well thought out plan that could be implemented if necessary.

Mr BURGOYNE: In October, a spokesman from Power and Water explained to ABC Radio Darwin that the corporation was in the process of replacing 10,000 faulty water meters. The meters have been installed at properties across Darwin's suburbs but the spokesman explained that the problem had reached Alice Springs. I have spoken to plumbers in Alice Springs who said that they have been contacted by Power and Water and other authorities in relation to this.

Can you please explain the problem in more detail, the ongoing issue regarding the 10,000 meters and the replacement schedule?

Mr PORTER: Power and Water has in place a testing regime where each year we test between 400 and 500 meters from the fleets of meters. The fleets are the number of meters that go in each year. Each year it is called a fleet of meters. We test those meters to ensure they are still meeting the required meteorological standards. They are quite stringent guidelines in terms of what is compliant and what is not.

We identified a while ago that a fleet of meters may not be meeting those standards. We have done further testing to identify whether that was the case. Even though we identified that it was not necessarily widespread, as a precautionary principle we started progressively replacing those two fleets of meters, which is the 10,000 meters that you referred to.

Four thousand meters have already been replaced. Since the time of that press release, we have replaced another two thousand meters. To date, we have replaced about 6,000 of the 10,000 meters and we are still working our way through the last 4,000 meters. That will be completed over the rest of this year.

Mr BURGOYNE: In general, have people been overcharged or undercharged as a result of the faulty meters?

Mr PORTER: The nature of the mechanical meters is that they tend to run slower over time. On the majority of the cases, in fact almost all of the cases, meters always read slower than faster. For those particular meters the customers will not be getting overcharged. It is more likely they are being undercharged as the meters run a little slower. From that point of view, for us and for Power and Water, we take our billing system seriously, which is why, when we identified there was an issue, we made the decision to proactively replace the meters to reassure the customers that what we are charging them is being accurately measured.

Mr BURGOYNE: And what is the cost to Power and Water as a result of this?

Mr PORTER: The replacement cost is probably going to be somewhere in the order of $400,000 to $500,000.

Mr MONAGHAN: My follow up was really around the differences in those types of meters from the old meters to the new smart meter. I am assuming that is what they are called. What is the main functionality difference?

Mr PORTER: They are still the same mechanical meters. We have only put in place 500 to 600 smart meters, which are the real-time data transfer. At the moment we are still replacing mechanical for mechanical.

Mr BURGOYNE: Thank you very much to everyone who has come along today. There were some very difficult questions asked but I really appreciate the honesty in which you have answered them and the professionalism that you have shown.

Mr LANGOULANT: On behalf of Power and Water, I thank the committee. That was a good set of questions so I pay my compliments to everyone involved.

Mr CHAIR: Thank you, Mr Langoulant.

That now concludes this session. On behalf of the committee, I thank you all for appearing here today and wish you well in the next few years as you continue to renew and upgrade—I think it was the glide program—over the next three to five years, good luck with that.

The committee will now consider Jacana Energy. We will take a short break to allow for a staff change over. Thank you and have a good day.

The committee suspended.

JACANA ENERGY

Mr CHAIR: Good morning, everyone. Welcome to Estimates Committee hearings.

I welcome Mr Noel Faulkner, Chair of the Jacana Energy Board, who is on teleconferencing. Mr Faulkner. Can I please ask you to introduce the officials that are here today in the room? I will then invite you to make a brief statement. I will call for questions relating to the statement. The committee will then move on to consider questions regarding the corporation's 2020–21 statement of corporate intent. I will invite the shadow minister to ask their questions first, followed by the committee members. Finally, 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.

Mr FAULKNER: Thank you, Chair. With us today we have Louisa Kinnear, who has been appointed as Chief Executive Officer as recently as September and has been doing a fantastic job; Andrew Lewis, Chief Financial Officer; Trude Blizzard, Acting Executive Manager Operations; Clare Milikins, Deputy Chair, who has elected to come along today in case we have any trouble with the technology and I drop out.

I would also like to take the opportunity to thank Clare publicly for her contribution to Jacana Energy. She was been with us since the establishment in 2014 and has done an outstanding job, not just as Deputy Chair but also as Chair of the Audit and Risk Committee. She retires from the board on rotation in February next year. Thanks Clare, your assistance has been much appreciated.

Would you like me to move to opening comments, Chair?

Mr CHAIR: Yes Mr Faulkner, would you like to make an opening statement on behalf of Jacana Energy?

Mr FAULKNER: Probably just a couple of quick comments, if I might, in terms of our performance for the financial year 2020. Unfortunately for the first time since our establishment, we have recorded a loss of $2m. That compares to an average profit of around $7.5m each other year since establishment.

On the back of those profit figures, we have been able to pay a dividend to government, and in addition to the normal angle dividends a couple of years ago we paid a significant special dividend to the government as well.

The financial year 2019–20 result is in no way an indication of the underlying value of the business. We might have outlined in the annual report that a number of abnormal issues occurred during financial year 2019–20, which contributed to that result.

One was the additional provision of $2m for bad or doubtful debts flowing from the pandemic, which kicked off in March. The second one is a bill that we received from Power and Water Corporation for $3.3m for financial year 2017–18, of which we were not aware and had not provided for.

With those two items our profit figure would have moved to around about $3.3m. On top of that, people would be aware that we receive a customer service obligation from the government associated with our mass market or pricing order customers. That CSO is calculated and paid on the estimated consumption of mass market customers, an estimated solar feed in tariffs at the beginning of the year, rather than actual. We are in the unfortunate position if we sell more energy to mass market customers that the CSO does not move and we actually make a loss on those customers.

If we take into consideration that CSO is based on budget rather than actual that would have added another $5.1m to our profit, which takes it up to around about $8.4.

We are currently working with DTF to overcome the issue with the CSO and we hope to have that rectified ready for the results at the end of this financial year.

The other issue I would like to mention in relation to our financial year 2019–20 results is the customer satisfaction, which is running at about 3.6 out of five. Louisa kicked of a customer experience program in November 2019 and we are starting to see results from that already—3.6 out of five is a fantastic result for an energy retailer.

We also use another measure, however, which is called the net promoter score, or NPS, and we are achieving results of plus-32 there, which probably does not mean anything to a lot of people, but effectively it means that greater than 60% of our customers who have experienced an interaction with Jacana Energy rate that interaction at nine out of 10 or 10 out of 10. We are very pleased with that result.

They are the only comments I wish to make.

Mr CHAIR: Thank you, Mr Faulkner. Can I also remind everyone to put their microphones on because otherwise we may be able to hear each other but Mr Faulkner will not be able to hear us on the line.

Are there any questions on the opening statement?

Mr BURGOYNE: Thank you, Chair. The statement of corporate intent at page 11 provides a target cost to serve of $191 per customer. According to the annual report the cost to serve last year was $195. How do you intend to achieve this reduced figure?

Mr FAULKNER: Can I pass that question to the CEO?

Ms KINNEAR: That is our focus on reducing our operating expenses. The way we achieve that is through a reduction in our ongoing contractual costs with our third-party suppliers. That includes third-party suppliers that help us manage our billing systems, but also looking at third-party agreements with entities such as Australia Post and looking for efficiencies.

In addition, we also look at personnel costs and what we can do to ensure that we manage any increases in personnel costs.

Mr FAULKNER: Louisa, it is probably worthwhile mentioning also that the $195m we achieved for financial year 2019–20, I think is down from $211m the previous years, so there has been a constant focus on reducing operating costs.

Mr BURGOYNE: Thank you. That is a very good point you make. The cost to serve five years ago was $164 per customer. In that time period the cost to serve per customer has increased by about $31. I am just wondering what accounts for that steep increase over the previous years.

Ms KINNEAR: That is predominantly due to the fact that five years ago Jacana was starting out as its own entity, separate from Power and Water Corporation. Over that time, services have been transitioned away from Power and Water Corporation into Jacana Energy. The additional increases in the cost to serve are about bringing in and in-housing our own contact centre, which comprises a large proportion of our personnel costs and adopting other services that were originally provided by Power and Water Corporation that Jacana now operates.

Mr BURGOYNE: Over the past few years, Jacana has moved to a paperless billing system and is no longer paying costs for in-person help desk services. I am wondering about the savings that have been made in relation to that cost to serve over those years. It is interesting. It has been going up yet we have obviously been making a lot of savings in those areas.

Ms KINNEAR: Yes. My understanding is that we have about 30% of customers, I think, on e-billing. Trude is that correct?

Ms BLIZZARD: Yes, that is correct.

Ms KINNEAR: I probably cannot tell you off the top of my head what the actual savings are. We could take that question on notice, Andrew, unless you are able …

Mr LEWIS: The savings just for the postal is 30%.

Ms KINNEAR: Yes.

Mr LEWIS: No, I would have to take that on notice.

Ms KINNEAR: Yes, we are happy to take that on notice.

Question on Notice No 11.1

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

Mr BURGOYNE: Jacana has moved to a paperless billing system and is no longer paying costs for in-person help desk services. I want to know the savings that have been made through those changes.

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

Mr FAULKNER: Yes, I do. Louisa, it may be worthwhile mentioning the additional services that we are providing through the web and via the contact centre.

Ms KINNEAR: Essentially, as part of our program to ensure that customers are getting the services they need we are increasing our online presence. For example, we recently introduced the ability for customers to contact us via Facebook messenger, as a way to interact with us.

We are also moving to place a lot of our standard account details for customers online through a customised My Account portal, which will be available in the next couple of months. Customers will be able to do very simple things like check account balances and their current bill and make payments and so forth very easily without having to make contact with Jacana Energy.

We also offer services such as bill payments via Australia Post for those who do not want to use online channels. We understand that there is a demographic out there who may not necessarily be au fait with the use of digital services. We make sure, particularly in the remote and regional areas, that customers have access to those services at their local Australia Post office.

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

Mr BURGOYNE: The increased cost to Jacana through the cost to serve—I am wonder if it is passed on to customers directly or is it passed on to taxpayers in the form of the increased the community service obligation. I know that was raised earlier in the Chair's opening statement.

Ms KINNEAR: Yes, essential. Those costs are added to the overall cost to serve. I do not know if you want to talk about that one, Andrew, in more detail.

Mr LEWIS: Yes, sure. The cost-to-serve element that is funded through the CSO has remained largely flat over the entirety of Jacana's existence. It is about $145 per customer account. That has not increased through our CSO funding as our operating costs have increased.

Mr BURGOYNE: How is that excess, which has been changing over the years, accounted for?

Mr LEWIS: Largely, it will be margin erosion mostly through our SCI customers, where it was said previously that we are already making a loss on most of our customers in general. That is why we have the CSO to help fund that gap. The bigger commercial industrial customers—we generally make profit on those contracts. Some of that will be supporting the other overhead operating expenditure that we are incurring.

Mr BURGOYNE: The CSO, just to confirm, has not increased over the past two financial years?

Mr LEWIS: Not the element that is allocated to the operating expenses. That is just a small portion of the CSO. We also get CSO for our cost of energy and our market revenue. From 2019–20 to 2020–21 there was an increase of the CSO funded cost to serve from $145 in account to $155 in account. That is obviously still well under the $195-ish that we are performing at.

Mr BURGOYNE: Thank you, that was what I was trying to derive.

Mr FAULKNER: Could I make a broader comment about the cost to serve? It is different to the benchmark that the cost to serve is to Jacana Energy because of the size of our customer base. Our customer base is around 83,000 or 84,000. The only other entity that probably comes close to that in terms of size is Horizon Energy and, do not quote this figure, but the last time we looked at it the cost to serve for Horizon Energy was around $320 per customer.

The other point to note is that we currently provide some services that other retailers do not—I think Louisa mentioned before paper bills. Some retailers charge you if you want a paper bill, but we do not do that. Some retailers charge credit card fees, we do not do that and we maintained a physical presence at Alice Springs. We have an office and staff at Alice Springs. We knowingly incurred additional costs to maintain that physical presence in Alice Springs. That is included in our current cost to serve as well.

Mr LEWIS: Potentially another significant cost that we incur, that maybe other retailers in our position would not, is the cost of in-house contact centre. A lot of privately owned retailers in our position would outsource that function.

Mr BURGOYNE: Has the shareholding minister expressed concern over the increasing costs and, if so, what has the shareholding minister done to attempt to improve the performance in this area?

Mr FAULKNER: The shareholding minister has not expressed a concern about the cost to serve. The Department of Treasury and Finance scrutinised that cost to serve at least annually when they allocate the CSO for the year. They also monitor that cost to serve via quarterly reports, which we submit to government.

Mr BURGOYNE: What is the efficiency dividend applicable to Jacana and has Jacana been meeting those efficiency dividend obligations?

Mr LEWIS: We have no efficient dividend in our SCI.

Mr BURGOYNE: Is Jacana energy currently under an employment freeze?

Mr FAULKNER: Yes, we have a cap on our employment level at the executive and lower levels. And we have a strategy in place to reduce the current staffing levels. Louisa might want to comment on what that proposed reduction is for the financial year 2020–21.

Ms KINNEAR: We are not too far above that cap. It is somewhere between five and seven FTEs. In that sense that is just a matter of us identifying how we can meet those targets over the next six to 12 months.

Mr BURGOYNE: What were the costs for staff and executive wages for the last financial year and what is the budgeted amount for the 2020–21 year?

Mr LEWIS: On page 45 of our annual report 2019–20, total employee benefit expenses, which includes executives for the year ending 30 June 2020, was $9.6m. The SCI target for 2020–21 on page 18 of the statement of corporate intent is $9.1m. That is some of the reduction Louise spoke about earlier and our cost to serve that we were anticipating for the $195 to the $191 that we forecast for the current financial year.

Mr BURGOYNE: Are you achieving that outcome of a reduction in wages through getting rid of people or paying people less? I am just wanting to know how you are achieving that.

Ms KINNEAR: There is not one particular strategy we look to achieve those outcomes. We look at attrition, so as people voluntarily leave the organisation, we may choose not to fill that role. The other way we look at it is whether or not we need the balance between levels of roles as well and whether we can find some efficiencies in the levels that we have.

We are certainly not attempting to put people out of work, particularly in the current environment. We are looking at ways of managing that reduction in costs through more creative ways by looking at attrition or identifying opportunities not to backfill where we can.

Mr BURGOYNE: How many consultants does Jacana employ?

Mr LEWIS: Off the top of my head, currently none. I cannot think of one at the moment.

Mr BURGOYNE: No consultants. There was no consultancy work done in the 2019–20 financial year?

Mr LEWIS: I beg your pardon; I misunderstood your question. I thought you were talking about consultant contractors working some of our FTE positions in our headcount. You are talking more about professional fees and contractors and consultants.

Mr BURGOYNE: I am just trying to work out what is being outsourced—the 2019–20 figure for consultants for Jacana.

Ms KINNEAR: During that period 15 consultants were engaged in a number of areas. They were primarily for discrete projects of a finite period. In some cases during 2019–20 we had consultants acting in more senior roles as a result of those roles being vacant and not being able to fill them in a timely manner.

Mr BURGOYNE: Those consultancy wages would not have been covered under what you have previously read out? Am I able to get a figure on what the consultants were paid over that last financial year as a total figure? I am not expecting you to pull out each person’s pay.

Mr LEWIS: The total contract labour, which is people working in some of our positions, not coming in and doing project work, was $816,000 out of that $9.6m.

Mr CHAIR: Mr Lewis, is that included in the $9.6m?

Mr LEWIS: Yes.

Mr BURGOYNE: What was the consultancy figure for the previous financial year, 2018–19?

Mr LEWIS: The comparable figure for 2018–19 was $1.6m; it has fallen by 50%.

Mr FAULKNER: Reiterating the comment that Louisa made previously, those figures are ones you might regard as consultancy and contractors. During both those periods, we have at least two executives in permanent positions who were being paid as contractors or consultants, if you like. In terms of the true definition of consultancies, there was probably a significant portion of those who were actually contractors engaged in permanent positions in the organisation.

Mr BURGOYNE: Do they come under what you would include in the employment freeze or are you able to hire consultants as needed on and off?

Mr FAULKNER: No. The positions and contractors I just mentioned would have been in executive positions, which are included in our labour cap. They were not in addition to those numbers. We do not use contractors or consultants to overcome the labour cap that we are working towards.

Mr BURGOYNE: Thank you, that is what I am getting at. Are they Territory-based consultants or interstate?

Mr FAULKNER: Predominantly—the two I am thinking of were interstate.

Mr LEWIS: The majority are interstate.

Mr BURGOYNE: Thank you. We have the total cost of consultants for the previous financial year, which was $816,000. Of the 15 engaged, are you able to give me an idea of how many were interstate and how many were Territory based?

Mr FAULKNER: We could take that on notice.

Ms KINNEAR: Something worth noting is that when we look for specific energy industry expertise that is not available in the Northern Territory, we need source consultants from interstate. We have a strict requirement that when they are engaged to fulfil those roles, they reside in the Northern Territory. We do not necessarily allow them to work for long periods in their state. They are in the Territory when they are or were working for us.

Question on Notice No 11.2

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

Mr BURGOYNE: Of the $816,000 spent on consultants in the 2019 period by Jacana Energy there were 15 engaged. How many of those reside in the Northern Territory and how many are classed as interstate?

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

Mr FAULKNER: Yes.

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

Mr BURGOYNE: What was the FTE for people employed by Jacana Energy in 2019–20?

Ms KINNEAR: I am just looking it up.

Mr FAULKNER: While Ms Kinnear is looking for that information. I will make a general comment, but I do not know if it is relevant to your line of questioning. In terms of the build-up of a customer's final account, Jacana Energy's cost contributes to about 3% of that. The wholesale cost is about 57% for a generation, 40% for network costs and 3% is Jacana Energy's cost to serve.

Mr BURGOYNE: Thank you. I appreciate that.

Ms KINNEAR: At 30 June 2020 we had a total of 70 FTEs.

Mr BURGOYNE: Do you have a current figure that is more up to date?

Ms KINNEAR: No, I cannot tell you that off the top of my head.

Mr LEWIS: It has gone up a small number.

Mr BURGOYNE: It has gone up?

Mr LEWIS: To mid-70s at the moment, I think.

Mr BURGOYNE: How does that reflect the employment freeze?

Mr KINNEAR: It may be better to take that question on notice rather than give you an estimate.

Question on Notice No 11.3

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

Mr BURGOYNE: How many people have been employed by Jacana Energy in the last financial year and what is the current FTE as of 11 December 2020?

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

Mr FAULKNER: Yes.

Mr CHAIR: The question asked by the Member for Braitling has been allocated number 11.3.

Mr BURGOYNE: Do you have the turnover rate for employees at Jacana Energy?

Ms KINNEAR: No, I do not. I would be happy to take the question on notice.

Mr BURGOYNE: What about the average?

Mr FAULKNER: Correct me if I am wrong, but probably about 50% of our employees are in the contact centre. I have a couple of contacts in relation to that. I think we have maintained the number of staff in the contact centre longer than we had intended to because of the pandemic. We ramped up our efforts in managing hardship customers in that period, which took a lot of time and resources in the contact centre.

Going back to the question on turnover, traditionally contact centre staff has a much higher turnover than a general organisation. If we could split the question into two parts: turnover in the contact centre and turnover of the balance of the organisation, it might be more meaningful.

Mr BURGOYNE: I am happy to do that.

Question on Notice No 11.4

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

Mr BURGOYNE: Do you have the current turnover rate for employees at Jacana, both in the contact centre and in Jacana as a whole?

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

Mr FAULKNER: Yes.

Mr CHAIR: The question asked by the Member for Braitling is allocated the number 11.4.

Mr BURGOYNE: How many CEOs has Jacana had in the last four years?

Mr FAULKNER: I think we had two permanent CEOs. We had a number of acting CEOs when we were going through the recruitment process, or more recently when our previous CEO was on secondment to PWC. I can check those figures if you wish.

Mr BURGOYNE: Yes, please.

Mr FAULKNER: We are a little unfortunate in that more recently we appointed a CEO who was with us for three or four years—an ex-PWC person. Shortly after commencement with us, the CEO's role at PWC became vacant. She was seconded to that role and subsequently permanently appointed to that role.

Question on Notice No 11.5

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

Mr BURGOYNE: How many CEOs had Jacana had in the last four years, permanent and acting?

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

Mr FAULKNER: Yes.

Mr CHAIR: The question asked by the Member for Braitling is allocated the number 11.5.

Mr BURGOYNE: How many customers are not being billed, for instance in the last quarter? How many people were not issued bills?

Ms KINNEAR: I do not think we have that information on hand. We would have to take that on notice.

Question on Notice No 11.6

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

Mr BURGOYNE: How many customers are not being billed, for instance in the last quarter? How many people were not issued bills?

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

Mr FAULKNER: Yes.

Mr CHAIR: The question asked by the Member for Braitling is allocated the number 11.6.

Mr BURGOYNE: What happens when a person is not billed for 12 months? Do you follow the retail law and write that off as bad debt, or do you continue to chase that debt?

Ms KINNEAR: I may defer to our Executive Manager of Operations to advise what happens in those circumstances.

Ms BLIZZARD: In the vast majority of those instances, if the error is on our part, we follow the guidelines issued by the AER and we back-bill nine months. There is some variation there; we would do a root-cause analysis in that instance as the causes can vary, so the outcome can also vary, but typically we follow that guideline.

Mr BURGOYNE: If someone was not being billed for 12 months you would only issue a back-bill of nine months.

Ms BLIZZARD: Correct.

Mr BURGOYNE: How much, in the last financial year was written off to bad debt as a result of people not being billed? Do you have that figure?

Ms KINNEAR: We do not have that figure on hand. We would have to take that question on notice.

Question on Notice No 11.7

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

Mr BURGOYNE: In the last financial year, being 2019–20, what was the accumulative figure in dollars of bad debts written off due to people not being billed for 12 months or longer?

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

Mr FAULKNER: Yes.

Mr CHAIR: The question asked by the Member for Braitling has been allocated the number 11.7.

Ms KINNEAR: I would like to add that on average we bill 40,000 customers a month and most customers do get billed. Our level of unbilled is not particularly high and they tend to be very one-off for case-by-case issues where there may be issues with the meter reading or other connection to the property.

It is also worth noting that in those circumstances we do not necessarily bill a customer the full nine months and demand payment. We go through a process of engaging with the customer, helping them to understand the issue that has occurred and we offer them different types of payment options and plans as they may have difficulty paying off that amount. We certainly understand the customer experience is not an ideal one in those circumstances where it does occur and we work very closely with the customer to address that situation.

Mr BURGOYNE: Can I ask about the hardship payments? Would that be a similar process in some way? I am thinking there may have been a number of hardship payments for the last 10 to 12 months.

Ms KINNEAR: Yes, that is correct. Obviously with COVID occurring, there has been an increase in our number of customers who have been identified as what we call hardship customers. They are customers who are experiencing longer-term hardship issues associated with not being able to pay their bills. We have a special program for those customers, it is called our 'stay connected' program. They are basically teamed with an agent who has had special training to deal with people in hardship and they receive a more tailored approach to identifying ways they can make payments in order to pay off any outstanding debt they may have with us.

Mr BURGOYNE: This is something that has happened in my electorate of Braitling. The information that Jacana is provided to bill a customer is provided by Power and Water?

Ms KINNEAR: That is correct, yes.

Mr BURGOYNE: Is there ever an instance—I imagine there are quite often instances—where you are not provided with that information?

Ms KINNEAR: Yes, there are circumstances where that does occur. We have processes in place to identify when that does not occur. We then go back to Power and Water Corporation to engage with them as to why the data has not been provided and we work with them to address that issue.

Mr BURGOYNE: The data-sharing process between Power and Water and Jacana—what is that like and what is the process? I am trying to work it out, because people have come to me and say that they have phoned Jacana and Jacana said that Power and Water have not provided the data. They ring Power and Water and they say the that data has been provided and Jacana needs to send your bill.

This goes backward and forth. I am trying to work out what I need to be advocating for. Is it a better data processing service by Power and Water or is it just the way in which the two interact? I am trying to work out how we can ensure that, going forward, customers are billed on time—these are people who want to pay their bills—are issued with a bill on time.

Ms KINNEAR: That is a very good question. In those circumstances, we have processes with Power and Water Corporation—I will not bore you with the details about exactly how they operate or we will go over time. Essentially, the challenges we have at the moment—we are working on quite closely with Power and Water Corporation. That is the way in which the systems between the two organisations communicate with each other.

Power and Water has a significant program of work scheduled to kick off, or is actually under way, to bring its meter data management processes and systems up to the standards that you would see in the national electricity market along the east coast. That process will make the data transfer between Power and Water Corporation and Jacana Energy much more streamlined and you will be much less likely to see some of the issues that occur at the moment with the systems we have.

That process is likely to take another 12 months to address but we are working in collaboration with Power and Water Corporation on it. In the meantime, the processes are a bit more manual. I can understand a customer's frustration when they have moved from one organisation to another, to try to address issues. A key focus for Jacana has been making sure that we are assisting customers in every step of that journey to make sure that their issues are addressed.

Mr BURGOYNE: Mr Chairman, are you currently in talks with Power and Water to join Jacana and Power and Water back together—those two entities?

Mr FAULKNER: No, not at all.

Mr BURGOYNE: The Sun Cable project has been publicly talked about, supplying power to Darwin. In order to do this, it would need a retailer. What would the impact to Jacana be if Sun Cable entered into a supply agreement with another retailer?

Mr FAULKNER: That is a question we will take on notice.

Question on Notice No 11.8

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

Mr BURGOYNE: Sun Cable has publicly been talking about as supplying power to Darwin. In order to do this, it would need a retailer. What would the impact be to Jacana be if Sun Cable entered into a supply agreement with another retailer?

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

Mr FAULKNER: Yes.

Mr CHAIR: The question asked by the Member for Braitling has been allocated the number 11.8.

Mr BURGOYNE: Has Jacana had negotiations with Sun Cable over supply of power to Darwin?

Mr FAULKNER: No.

Mr BURGOYNE: I guess that answers my next question. Have you entered into any agreement to buy power from Sun Cable? No.

What is the cost impact of the generator performance standards? Has Jacana's cost of buying power increased as a result of those standards?

Mr FAULKNER: The generated performance standards, particularly in relation to the new entrance, ENI solar farms, are being worked through at the moment. As far as I am aware that has not been resolved and we would not be in a position to determine what impact those generated performance standards will have on ENI.

Mr BURGOYNE: Are you able to give me the cost of electricity prior to those standards coming in and what they are now?

Mr FAULKNER: The power purchase agreement we have with ENI?

Mr BURGOYNE: What you are saying is that the cost to purchase power has not changed over the last 12 months?

Mr FAULKNER: When you are talking about generated performance standards, you are talking much broader in terms of the impact on the solar farms that currently under construction.

Mr BURGOYNE: What I am trying to work out is, that obviously it is costing people who produce the electricity now, more to produce it. Is that then rolling on, and is it costing Jacana more to purchase that power?

Mr FAULKNER: Our main source of energy is through TGen. It certainly continues to provide the bulk of our requirements. We have contractual arrangements with EDL. We have not seen any impact on the EDL price from the generated performance standards. Likewise with ENI. We are not aware at this stage of any impact the generated performance standards will have on those solar farms.

I believe ENI is working closely with PWC to determine just what those GPS, the generated performance standards mean for ENI costs.

Mr BURGOYNE: Is the solar farm in Katherine currently online, and is Jacana receiving power from that farm? If so, is it a full 25 megawatts?

Mr FAULKNER: I believe they are currently going through compliance testing process with PWC. The latest information I have is that they anticipate finalising that process—correct me if I am wrong, Louisa—by around about January next year.

Ms KINNEAR: Yes, that is correct.

Mr BURGOYNE: To date, no power from the Katherine Solar Farm has been bought by Jacana?

Ms KINNEAR: To clarify, during the commissioning and testing phases, power is generated and sent through the grid and we purchase that power, but they are very small amounts.

Mr BURGOYNE: As we know, the government has a target of 50% renewables by 2030 and Jacana will have a key role in this as a major retailer. Has the government instructed or requested that Jacana only purchase renewable energy going forward?

Mr FAULKNER: I have not received any such instruction.

Mr BURGOYNE: Was Jacana consulted before reduction of the feed-in tariff for solar was brought about? If so, what advice did Jacana provide?

Mr FAULKNER: We certainly were consulted. Louisa, could you answer that more fully, please?

Ms KINNEAR: We provided advice to government about the solar feed-in tariff when it was asked for.

Mr BURGOYNE: How are you expecting that to affect revenue over the coming years? Are you expecting an increase in revenue due to people dropping off the old tariff and on to the new 8c tariff?

Ms KINNEAR: No, we are not.

Mr BURGOYNE: Was Jacana consulted before a reduction in power bills by 50% was announced during COVID-19? What has been the total cost of this measure? Are these costs being supported by an increase in the community service obligation?

Mr FAULKNER: It is certainly being supported by an increased in the CSO.

Ms KINNEAR: Yes, we were consulted by government. But the time frame between the decision and implementation was very short. That was obviously because the government was very focused on ensuring that customers were able to access those programs as quickly as possible.

Mr BURGOYNE: In general terms, is the profit margin for large commercial customers larger than that for smaller customers, such as households and smaller businesses?

Ms KINNEAR: Sorry, can you repeat the question? Profit margins are larger for larger customers?

Mr BURGOYNE: That is right. I am asking if you are making more out of the commercial than the individual home?

Ms KINNEAR: Yes, that is correct.

Mr BURGOYNE: Are you able to give me an idea of what that percentage is?

Ms KINNEAR: No, I cannot. One of the main drivers of that is consumption. Obviously, a very large customer consumes vast amounts more than your average household; therefore, you would anticipate that they are more profitable on that basis.

The way in which we charge those customers is also slightly different. Having said that, the residential customers, by number rather than what they consume, are also significant. There is a much larger cohort of residential customers.

Mr BURGOYNE: How has your market share in those categories—both large and small—been affected by the competition by other providers?

Mr FAULKNER: We are starting to get close to commercial confidential information, member, I am sorry. Normally, we would not provide that sort of information which would then become available to other retailers, of course.

Mr BURGOYNE: I guess we can probably go to just simple numbers. How many large commercial customers did you have in 2018–19 and how many in the last financial year?

Ms KINNEAR: Technically, it is probably commercial-in-confidence because it gives an indication of what our market share may be. I can tell you that there has not been a significant change in our market share over the last couple of years.

Mr FAULKNER: It is worth noting that by far the majority of the 83,000 or 84,000 are not large CNI customers. The large CNI customers you could count in the hundreds.

Mr CHAIR: Of those 80-odd thousand customers, the majority of them being smaller customers, NPS at plus-32 would indicate that you are doing reasonably well. Can you indicate comparisons with other companies because NPS—the net promoter score—is not widely known; a plus-31 score compared to other potentially like or unlike companies that have plus-32 NPS scores.

Ms KINNEAR: I do not have detailed information but certainly from my experience working in energy retail, it is unusual for an energy retailer, particularly an incumbent energy retailer like Jacana, to have a positive net promoter score. A lot of energy retailers in other jurisdictions have a net promoter score that is well below zero. In that sense, Jacana is actually a standout in terms of the way it interacts with its customers.

Mr FAULKNER: There is data available. I do not know if Trude has some information on hand but there is data available that we could source.

Mr CHAIR: I think the point that Ms Kinnear makes is it being a plus-number in the net promoter score is unusual for providers of services, banks, financial services et cetera. If you want to have a deeper dive into the NPS it is a remarkable score from my understanding, so well done.

Ms KINNEAR: Thank you. Interestingly, despite COVID it has now increased into the 40s. We have spent a lot of time and effort trying to rework our processes with customers to ensure that they are being supported when they are unable to pay their bills. We have reflected that in our communications with customers across the board. As a result, we have seen a significant uptick in our net promoter score for this financial year as well.

Mr BURGOYNE: I understand you are going through an office refurbishment, is that correct?

Ms KINNEAR: Yes, we are.

Mr BURGOYNE: Are you able to give me a figure of what that office refurbishment is going to cost?

Mr LEWIS: The refurbishment is being done under the NTG's leased property incentive scheme. The incentive is actually for the landlord to pay for the full cost of the refurbishment and in return he has offered a longer-term lease through NT Property Management. They are the leaseholders; Jacana is not the leaseholder directly with the landlord. It is a lease held by NT Property Management, which is offering a 10-year lease rather, than the standard five, in return for investment in this building, which is the fit out of our floor.

Mr BURGOYNE: Did the shareholding minister approve that?

Mr LEWIS: It would have gone to the shareholding minister to note in terms of the length and the value of the 10-year contract. It was above the $2m threshold so it would have gone to the shareholding minister.

Mr FAULKNER: There was a business case prepared in relation to the extension of the lease. I think it is worthwhile adding that the extended lease was not at an inflated rate. It was virtually a continuation of the same rate, perhaps with CPI, correct me if I am wrong. There is a business case that went to the board and the business case was favourable in terms of an outcome for Jacana.

Mr BURGOYNE: I just want to confirm what the Australian Energy Regulator regulations say in relation to the timely billing of customers, just to get back to that question that I was chatting about earlier. Earlier we spoke about the fact that after 12 months, a customer can be back-billed nine months. I think you said it was in keeping with the Australian Energy Regulator regulations.

Ms KINNEAR: Yes, we use that as a guideline. The requirements around that are not enshrined in legislation or regulation within the Northern Territory. We defer to them on the basis that they are the legislation and regulations enforced in other jurisdictions so we aim to be consistent where we can.

Mr BURGOYNE: I notice the time has just ticked 11.30. I thank you very much for your time here today.

Mr CHAIR: I have a question. Do you foresee that Jacana Energy will be operating in 10 years' time? Due to the 10-year lease?

Mr FAULKNER: Absolutely.

Mr CHAIR: That concludes the session for today. On behalf of the committee, I thank you for appearing before us. I thank Mr Faulkner and his team for the work they do behind the scenes. Thank you, Ms Kinnear.

The committee suspended.

TERRITORY GENERATION

Mr CHAIR: Welcome everyone. Welcome to the Estimates Committee hearing, Friday 11 December. I welcome Mr Dennis Bree, Chair of Territory Generation Board. Mr Bree could I ask you to please introduce the officers accompanying you today and then I will ask you to make a brief opening statement. Then I will call for questions relating to the statement and the committee will move on to consider questions regarding the corporation's 2020–21 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, however, that other members may join in on a line of questioning pursued by the shadow minister.

Mr Bree would you like to make an opening statement regarding Territory Generation and introduce the officers accompanying you.

Mr BREE: Thank you, Mr Chair and committee members. Firstly, let me introduce our Chief Executive Officer, Gerhard Laubscher; the General Manager, Finance and Corporate Services, Maria Walters; and General Manager Commercial, Eddie Malllan. We have others outside if we so require.

Mr CHAIR: Welcome.

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

The past 12 months have been challenging but rewarding for Territory Generation and 2020–21 statement of corporate intent has been developed within a complex policy and commercial environment with increasing competition from solar, behind the meter and soon from solar farms, combined with increasing demands for stability services in the system.

Our 2019–20 annual report shows a challenging year for Territory Generation due to the impacts of COVID-19. It also shows how admirably our staff responded to the situation by complying with the new culture of social distancing, improved hygiene, finding ways to minimise the threat to our people and continuing to produce uninterrupted electricity as an essential service to the NT. The 2019–20 year saw the Alice Springs System black event, which was a great disappointment but also a valuable opportunity to evaluate our systems. Much work has been done by power system participants to improve the Alice Springs system and we are transferring these lessons to our other sites at Channel Island, Weddell, Katherine and Tennant Creek as an ongoing focus.

Ron Goodin Power Station, which was expected to be closed this year, remains operational in the short term to provide more system security to the Alice Springs power system. It will continue to remain in service until the Owen Springs Power Station is proven to provide all system services reliably. The intention is to slowly progress Ron Goodin Power Station to run one or two machines leading into the 2021–22 summer period.

Thereafter, Ron Goodin Power Station has a medium-term role to provide additional black start and peaking capability if required during the extremely warm summer months. It can also provide additional and essential station redundancy for the network in addressing a potential single point of failure at the Owen Springs Power Station. This approach will remain in place until a more permanent solution is decided upon, which may include a second and larger battery in the Alice Springs network with additional solar PV.

Growth in solar penetration in the Territory continues to impact on the electricity system, most significantly through an increase in requirements for essential system services—sometimes called spinning reserve, and other things. Territory Generation's key role will remain the delivery and assurance of energy and generation reliability for the Territory. TGen must maintain its installed capacity to meet peak local demands.

During the transition to 50% renewables by 2030 and zero net omissions by 2050, TGen will continue to play a significant role as the generator of last resort, having the responsibility of reliably providing energy, system security, stability and a number of other essential system services.

I am pleased that the government supported Territory Generation in the purchase of a large energy storage system for the Darwin-Katherine system. This will not only facilitate increased renewable penetration but will also strengthen the system further by having additional capability in the Darwin-Katherine interconnected system.

In an attempt to keep the cost of electricity as low as practical and to ensure Territory Generation remains an effective generator that can provide system security without government CSO funding, Territory Generation will replace its retiring machines with smaller, more efficient and fast-start renewable fuel-capable machines. We are also monitoring trials of existing machines with biofuels, including hydrogen. Financially, we continue to effectively manage our controllable costs and have returned a modest dividend to government.

We continue to manage costs effectively and, following a government directive, have built in a $3m per year reduction into our controllable costs. Our employee numbers remain within the government's FTE cap and our expenditure on asset repairs and maintenance are based on our improved condition monitoring program. We continue to maintain a zero-harm workplace with an inclusive behavioural safety culture, where safety is at the core of everything we do. This year we achieved an important milestone of 1,000 days without a lost-time injury.

I conclude by paying tribute to the management staff at Territory Generation, who carry out their roles diligently 24/7 and 365 days per year, to provide power to Territorians while ensuring safety is the number one priority.

Mr BURGOYNE: The Gunner government's 50% renewables by 2030 commitment is likely to cost Territorians billions of dollars to achieve. Most of the cost will be placed on Territory Generation as the provider of last resort. What modelling has TGen performed on the impact of 50% renewables? What is the total estimate cost of reaching that goal? Can you table that information today?

Mr BREE: Currently we are providing information to the Office of Sustainable Energy because it is developing a—I think they are calling it—lowest cost pathway to 2030. For us, we have started modelling. This time next year I will able to give you much more information on it.

Our preliminary approach to it is that—as I mentioned in my introductory remarks—firstly there is a need for us to keep capacity in the system as solar comes in. In terms of what was initially thought some years ago, that there would be a decline in thermal capacity replaced by solar, we do not really think that model will work now. It is more a case of having machines that can take the peak thermal demand, which is when cloud comes over. To provide that, we need to install smaller machines that are much more efficient and responsive as the needs come on us for replacement. A number of our machines are coming up for replacement over the next four to five years. We also would be looking at specifying those new machines to take things like hydrogen or biofuels. We need to keep our options open on how the technology will develop in this space.

From a cost point of view, our decisions at each point will be on a business case basis and I have to qualify that by saying this is quite early in our process of working this out. Our initial investigations suggest that we will not be putting upward pressure on the price of electricity. It is likely that we will be able to get models that the new engines will eventually be paid for by the savings in gas. That is our hope and is what we are targeting.

An example of this is the new battery storage system, that we are out in the market for, will have a payback period of about five years and a life of between 10 to 15 years. It will have a guaranteed life of 10 years with a diminishing capacity in the five years after that, but with real capacity. That is a downward pressure on our long-term costs of supply from that investment. We are hopeful, from our initial investigation, that will be true for most of our investments. I am sure there will be some that will not.

We are hopeful that we will not be the causer of increases in prices over the next 10 years, but it will mean ongoing investments.

Mr BURGOYNE: It must be quite frustrating for TGen—I will ask this so it does not ask for an opinion. Has TGen either formally or informally requested that the Gunner government's decision not to allow the corporation to compete in the renewables market be reversed and, if so, what was the response to the request?

Mr BREE: I do not think it would be appropriate for me to comment on that, to be honest. It is government policy. Our view on government policy is that we take it and act within it. If I am asked for advice, I will give it.

Mr BURGOYNE: What was the total capital contribution paid by the Territory government to TGen last year and, given that TGen cannot compete in the renewable space, will this trend of massive capital contributions from taxpayers continue and increase year on year?

Mr BREE: Correct me if I am wrong. The contribution that we have been given from the government—we have not drawn it down—is for the battery. That is a loan we would pay back. Could I qualify one thing in terms of the solar policy? It refers to utility scale solar in the Darwin-Katherine system. We are at liberty to bring business cases to the government outside that system, for instance Tennant Creek or Alice Springs.

Mr BURGOYNE: Thank you for clarifying that; it has always been a policy that I have been curious about as to why it was brought in. I have asked those questions and been told it was to increase private investment in the area. I would have thought that I want to see the government and TGen investing in solar going forward. Going forward, if you have the ability to invest in solar in Alice Springs, is that something that TGen is looking at?

Mr BREE: Broadly, yes, but we do not have a specific project doing that at the present moment. This is a space that is exciting, but it is changing rapidly. The economics are continuing to change. We keep a very close eye on that and will be looking at opportunities. Our thinking at the moment is that the next steps for us will be in displacement of gas by solar in some of the smaller centres, but we do not have a project up to put before government.

Mr BURGOYNE: That includes all areas that are out of that policy arrangement?

Mr BREE: Correct.

Mr BURGOYNE: Just to go back to the capital contribution. You will have to excuse me because I distinctly remember, and it always happens around Christmas, travelling down south and hearing on the radio that the government had to pour another $20m into TGen to prop it up. Am I wrong in that assertion?

Mr BREE: Yes. Sorry, you are incorrect.

Mr BURGOYNE: That is absolutely fine. I am happy to be wrong in that matter. What was the budgeted figure for 2019–20 for TGen?

Ms WALTERS: We have not increased our borrowings. We have been sitting at $200m and that has not been increased. We got a loan approved for $30m for the Darwin Katherine BES, we are not looking to draw that down at this stage. We have enough cash reserves at this point in time.

Mr BURGOYNE: The 2019–20 budget was $200m?

Ms WALTERS: Correct.

Mr BURGOYNE: And $200m was the actual spend?

Ms WALTERS: The current borrowings did not change over that period. We have $200m in borrowings and we continue to have $200m in borrowings.

Mr BURGOYNE: For the 2018–19 period, that was the same?

Ms WALTERS: I will have to check. We had $180m. We will take that on notice.

Mr BURGOYNE: For the 2018–19 financial year, what was TGen's budget and what was the actual spend?

Mr BREE: Is that just capital or do you want our overall budget?

Mr BURGOYNE: I am after how much money is spent in a year by TGen—budgeted and how much is actually spent. I believe they are two very different …

Mr BREE: Member for Braitling, we may be able to answer that.

Ms WALTERS: For the 2019–20 budget, was $236m operating expenditure. That includes our energy costs. That was our budget. For our overall results, we ended up with a $7.9m profit. Our energy costs were $216.8m for the 2019–20 year, compared to $221.9m for the previous year. We had a decrease of $5m but that was also due to declining demand.

Mr BURGOYNE: What you budgeted in 2019–20 was $236m of operating expenditure and the actual operating expenditure—because they are two different things I guess, what you budget for and what you actually spend.

Ms WALTERS: It was $227m.

Mr BURGOYNE: Do you have that for the 2018–19 financial period?

Ms WALTERS: Not on me today, no.

Mr BURGOYNE: That is okay. We might take that one on notice.

Question on Notice No 12.1

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

Mr BURGOYNE: Can I please have TGen's budgeted expenditure for 2018–19 and the actual expenditure for the financial year 2018–19?

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

Mr BREE: Yes, I do.

Mr CHAIR: The question asked by the Member for Braitling has been allocated number 12.1.

Mr BURGOYNE: What exactly is the general business plan going forward from T-Gen and what direction is being provided by the shareholding and the Gunner government?

Mr BREE: Can I just tease that out a little?

Mr BURGOYNE: Certainly.

Mr BREE: Do you mean our business strategy going forward or the business plan? You want to know how we are going to survive?

Mr BURGOYNE: Territory Generation has been asked to help achieve the 50% renewables target by 2030; what is the plan for achieving that from TGen going forward? How will you contribute?

Mr BREE: Our contribution to it is firstly to keep stability and reliability in the system. That it is our underpinning responsibility. Our plan is to take into account the 50%, when we are planning our future investments. Firstly, the battery is an obvious one because that is based on—what we are trying to do with the battery. Batteries have a lot of things they can do in system but the one we are focused is avoiding using gas. Instead of running one of our old machines as spinning reserve we will negotiate with system control to turn it off so that we can save the gas from that machine. That is the business plan for that particular thing.

As we invest in the future, we will be looking for more efficiency in our system. We will be looking at ways to save on repairs and maintenance in the sense that we will be getting new machines that will be less costly to maintain—hopefully. We will be capable of more responsive running. If I could just take a line off from that—most of our equipment was designed and built in an era where solar was not an issue.

What you wanted to do with machines in those days is turn them on and keep them going as long as you can and you could watch the weather, basically—you do not want to stop them. They do not like being stopped and started, it adds to the effect of running hours and therefore brings maintenance forward. We want machinery that is more used to doing what the new world order will bring us—the efficiencies—and at the same time, prepare for other fuels that will be green. They may be biofuels or hydrogen.

That is our thinking at the moment and we want to prepare for that. That is how we—the broad direction from government is simply that we are part of it. We do not get any specific directives in term of day-to-day stuff.

Mr BURGOYNE: The almost 100 megawatts of solar that is set to come online in the Darwin-Katherine grid, is from projects at Katherine, Batchelor and Manton Dam. What will the cost of this massive amount of solar coming online in a short space be to TGen?

Mr BREE: The most immediate cost to us, of course, will be loss of sales, which we have allowed for. I am not sure whether for the 100—that seems a little more than we would be planning for. We are taking them on board as they commit to them, if you like. A lot of people have looked at the system and wanted to try things.

In our planning we have taken into account that two ENI projects, which are specific. We have taken into account Batchelor solar farm and there are also some behind-the-meter ones, such as Robertson Barracks, the airport, Manton solar and Katherine solar. We have included these in going forward in our SCI and there is no doubt they hit our bottom line by loss of sales.

One big cost over the next few years will be that we will not be able to use our combined cycle unit as much in the Dry Season because the loads will be so low, and the combined cycle unit is effectively—we think of it as ‘free power’, in the sense that the heat from two engines run the generator, so that is pretty good. The loads will be too low for that to be used. That will be a hit which we have allowed for.

The other one—and this is more and more—is that we are starting and stopping our engines more than we would have in the past. The effective running hours brings forward more maintenance for us, which we have also allowed for.

Mr BREE: It is kind of absorbed into the business model, to be honest. We are cutting costs as well because we do not buy as much gas and other things, but we think we can still continue to produce a small modest profit.

Mr BURGOYNE: How will grid stability be affected by that large increase of solar coming online? Is there a chance of more system blacks or have you accounted for it coming online?

Mr BREE: We are the organisation that provides the services to avoid it. We are not the ones who make the decisions on what is required. We are in the hands of system control. They tell us when to dispatch our engines and which engines to dispatch. My judgement, based on their instructions to us to date. is that we think they are pretty conservative in their approach, which most consumers would think is a good thing.

There is no question it gets hard. But things like batteries really help that a lot. That will be a significant stabiliser and there will be others. Over the next 10 years we foresee more batteries coming into the system.

Mr BURGOYNE: Certainly, and that was going to be my next question. We have the first 10 tender out for this 35-megawatt battery?

Mr BREE: Yes.

Mr BURGOYNE: Are there any plans in the pipeline for more of these batteries?

Mr BREE: Looking at our 10 years forward works, yes, we see a need for more as we go forward.

Mr BURGOYNE: What do you see in megawatts the foreseeable battery size?

Mr BREE: We have been very nominal in our forward planning. This is what I started talking about earlier. If you ask me in 12 months' time, I will be able to give you much more. We are at that early stage where you drop figures in, check them and rewind.

I will just jump out on a limb here. If we had to do two more about the same size by 2030 it would not surprise me. But each step you have to look at the economics of it.

Mr BURGOYNE: The cloud monitoring technology we spoke about earlier—is that effective enough to ensure that you do not have to have a constant spinning reserve to allow for those solar fluctuations or will you still have to constantly have a spinning reserve to take up the need?

Mr BREE: You have to keep it going. It allows you to look at the fluctuations so you prepare yourself. It would probably have more of the effect of telling us that we do not have to turn a new one on yet. That will be system control's role as well.

We are preparing, but it is really a system-control decision to turn on or not. There is no question it helps, but it is pretty hard to say whether we have to turn something on or not. Some of it depends on where your load is on the day because we have discrete machines, whereas the load does whatever it wants to do. Some days you might be able to leave one off because the load is down a bit, but even if it was up a bit you might have to put a new machine on. It is a bit hard to be very specific on that.

Mr BURGOYNE: For Territorians out there who are listening, the introduction of almost 100 megawatts of solar will not mean you are turning off 100 megawatts of gas power generation. You will still need that spinning away in reserve.

Mr BREE: It will not necessarily be 100—I hope. There is no question we will need it available. To be specific, that will not mean it is all spinning at any one time, but it might mean that it is at some time.

Mr BURGOYNE: I picked up on the comment earlier that you are trying to avoid using gas. Approximately how much gas will be displaced by the addition of the solar projects we have just spoken about?

Ms WALTERS: That would be Power and Water because they would have the system control and data for the solar.

Mr BREE: You want to know how much Power and Water will not be able to sell or have to sell to someone else? We made an estimate in our forward books of how much might drop off.

Mr BURGOYNE: I would love to know that figure.

Mr BREE: Can I confer with my colleagues?

Mr BURGOYNE: You certainly may.

Mr BREE: Because I am moving towards commercial-in-confidence here. Telling our competitors what we are doing—we get thingy about it. Do you mind if I give a rounded figure?

Mr BURGOYNE: I do not mind at all.

Mr BREE: Okay. If you think about it, at the moment we are using about 15.5 petajoules and by 2023–24 that will be down to under 14.5 petajoules. That is the order of gas that is coming off.

Mr BURGOYNE: I heard that there was a diesel figure in there.

Mr BREE: Diesel—these are in petajoules, which is not how you normally talk about diesel—but anyway. It is not dropping much; it is 0.3-something to 0.29-something. It is a drop but it is not a huge drop by any stretch.

Mr BURGOYNE: Is that even allowing for the introduction of the bush solar projects we have been talking about?

Mr BREE: We do not supply out there.

Mr BURGOYNE: That is right, my apologies.

An initial expression of interest for a battery energy storage system—up to 45 megawatts—was initially released in 2018, but the tender has only just gone out. When will the BESS be up and running and why has it taken three years to get to this point?

Mr BREE: We went to the market a number of years ago because we clearly thought there was a need and we wanted to explore what was out there. That was the expression of interest. We talked to people for some time about that. This is a market that is changing quite rapidly, so a decision was taken that when the government approved us going, we felt we needed to curtail or end the other process and start a new one to ensure we were getting up-to-date offers and prices.

Mr BURGOYNE: When was TGen first recommended to consider adding one or more batteries?

Mr BREE: I am not sure I would say it in that way, because most of it has been an internal discussion. I have been on the board since the end of 2017 and we have been talking about it since then, to be honest.

Mr BURGOYNE: Has a recommendation to government ever been given to invest in a battery? I am trying to work out that occurred

Mr BREE: In the last year or so? It has been derailed by different things like COVID, elections and stuff like that. I think it went through the last budget process. That means it probably formally started in October or November 2018; I am not sure. If it is important, I will get the date.

Mr BURGOYNE: That is alright, obviously it has been in the last …

Mr BREE: It has been in the process for some time.

Mr BURGOYNE: Quite recently?

Mr BREE: Yes and competing against other projects, obviously.

Mr BURGOYNE: We have spoken about the reduction in gas over the forward estimates, that four-year term. I am wondering how much that battery system will save TGen and, by extension, taxpayers, per year once it is installed on those spinning reserve costs?

Mr BREE: We expect about $6.4m a year in savings.

Mr BURGOYNE: That is for the one battery system?

Mr BREE: Correct. You will not get that for every battery system. There is a diminishing return on it and other battery systems will be used for different services, which may be priced in different ways. Our first one, the beauty of it for us, is that it pays for itself in fuel savings; they will not all do that. It will not be quite as economic as the other ones.

Mr BURGOYNE: Could the solar system at Katherine be switched on without the use of the battery?

Mr BREE: I think so. You can provide the services by spinning thermal. The system sees the service as the same.

Mr BURGOYNE: Would providing that solar without the battery mean an increase in spinning reserve for TGen to deal with the fluctuations that would then occur?

Mr BREE: I am not privy to the arrangements. There is a contractual arrangement between Jacana and whoever is providing and a technical arrangement between system control and Eni, which may or not call for batteries in that system. We do not see that; I do not know.

Mr BURGOYNE: The generator performance standards, which were brought in at the beginning of this year, were they brought in because of TGen's worries about the stability of the grid?

Mr BREE: I do not think we drove them. I will ask Eddie.

Mr MALLAN: TGen provided comment to a range of market consultations. In relation to the generator performance standards, we had provided affirmative feedback that we support the introduction of that type of initiative. It is important that all generators have those types of standards to operate to. But did we specifically contemplate whether a battery would need to be with a large scale solar? I think the answer would be no.

Mr BREE: Our thoughts would be that those services need to be provided and when we have a battery or other batteries, it may be that some solar proponents will buy that service from us. When I am talking about other batteries, that is probably a space we could see it operating in.

Mr BREE: Moving on to the Ron Goodin Power Station in Alice Springs. Has it ever been decommissioned?

Mr BREE: No.

Mr BURGOYNE: What is the current cost to keep Ron Goodin operational per financial year?

Mr LAUBSCHER: I will give the start of the answer, then I will hand to Maria or Dennis. Ron Goodin is pretty complex. Yes, we are bringing it back in a capacity to ensure system stability, so we are ramping it up. We have hands off maintenance in the past. We were heading towards shutting it down and now we are ramping it up again.

The cost is not a linear curve at all. We have probably spent about $4.5m in operational and maintenance costs and about $1.5m in labour.

Ms WALTERS: It was $2.5m—we budgeted for $7.6m.

Mr LAUBSCHER: All up $7.6m, a little bit more. It is definitely not linear. That is for the next year or two, then we are ramping it down again. To make it clear, it is there for system stability and redundancy so we do not operate with a single system ever again until we have—as Dennis said in his opening speech—a large battery or anything we can fully replace it with.

Mr BURGOYNE: When did Ron Goodin come back online? Was it the date we were given earlier, when the system black came out?

Mr BREE: It never actually went offline.

Mr BURGOYNE: It was not operational.

Mr BREE: It was hot standby.

Mr BURGOYNE: It was sitting there idle, not running. When was that turned on?

Mr BREE: On the day the system black occurred.

Mr MALLAN: That was 13 October.

Mr BURGOYNE: Since 13 October and now you have had almost $6m in costs associated with the Ron Goodin Power Station, in staff and operational costs?

Mr BREE: And gas. If the gas is not burned there it will be burned somewhere else.

Mr BURGOYNE: How much has Owen Springs Power Station cost you in that same amount of time?

Mr BREE: We might have to take that on notice. I do not think we have the figures.

Mr BURGOYNE: Do you have the annual cost of the Owen Springs Power Station at Brewer Estate?

Ms WALTERS: We do, but we do not have the information with us today, so we will take it on notice.

Question on Notice No 12.2

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

Mr BURGOYNE: May I have the operating costs for the Owen Springs Brewer Estate Power Station for the period of 13 October to 11 December and the yearly running costs of the Owen Springs Brewer Estate Power Station for 2019–20?

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

Mr BREE: Yes.

Mr CHAIR: The question asked by the Member for Braitling is allocated the number 12.2.

Mr BURGOYNE: How many people are working at the Ron Goodin Power Station?

Mr BREE: Fifteen.

Mr BURGOYNE: How many staff are at the Owen Springs Brewer Estate Power Station?

Mr BREE: The total for Alice Springs is 42, so 15 from 42 makes it 27.

Mr BURGOYNE: Can I now get the capacity of the Ron Goodin Power Station and the capacity of the Owen Springs Brewer Estate Power Station?

Mr BREE: The Ron Goodin Power Station is currently reported at 39.1; Owen Springs Power Station is 78.0.

Mr BURGOYNE: Is that in megawatts?

Mr BREE: Correct.

Mr BURGOYNE: What is the average production used by the community of Alice Springs and Santa Theresa—that grid? Do you have an average for the day?

Mr MALLAN: The average can change a lot. We see a summer peak demand on our combined stations in Alice Springs. It is around 50 to 51 megawatts at the moment. We are seeing lows in the winter period, down to around eight megawatts.

Mr BURGOYNE: It is clear that the Owen Springs Power Station has the capability to run the Alice Springs grid on its own.

Mr BREE: Yes, I think that is true. My reluctance in it just being 'yes' is that we are still doing work on the Owen Springs Power Station to ensure we are confident in everything at the station. It is a relatively new station and some things turned up on 13 October that worried us.

Mr CHAIR: Sorry, Mr Bree, can you switch the microphone on and please repeat your answer for the record.

Mr BREE: My reluctance is it just saying 'yes' is that we are still doing work on the Owen Springs Power Station subsequent to the incident on 13 October. Full confidence is not restored from our point of view in saying that it could be continuously run but, the capacity is there.

While the capacity is there, you still have to allow for at least one machine to not be working at any one time. The 'n minus one' would be close to the line.

Mr BURGOYNE: Prior to 13 October, Alice Springs was running purely off the Owen Springs Power Station?

Mr BREE: Correct. Most of the year that is the case.

Mr BURGOYNE: Is it now government policy that the Ron Goodin Power Station be continuously left on to provide grid stability? Is it a directive?

Mr BREE: No. Our board policy has been that—we have said to management that we want to get Owen Springs Power Station operating with full confidence before we will consider winding down Ron Goodin Power Station. Our intention over time is to wind down Ron Goodin Power Station, but we have to be convinced.

Mr BURGOYNE: Previously, Ron Goodin Power Station was moving towards being mothballed—decommissioned—but due to the event in October it has now been put off indefinitely?

Mr BREE: We are not setting a date on it because we have set the hurdle of being confident that Owen Springs Power Station is working. Once we have been told that everything is okay at Owen Springs Power Station then we will start the—well whatever we decide to do with it, which might be cold standby. There are a number of options. Growth in the system is also something we have to take into account.

Mr BURGOYNE: Earlier we spoke about some of the costs associated with 50% renewables. What is the approximate cost of a new 40-megawatt generator unit?

Mr BREE: A good estimate for budget pricing is $1m per megawatt.

Mr BURGOYNE: So about $40m?

Mr BREE: Yes.

Mr BURGOYNE: Based on the ageing infrastructure that is currently at Channel Point, when are those generators due to be replaced?

Mr BREE: Not all at once.

Mr BURGOYNE: But when are they due to be replaced?

Mr BREE: We have a couple of dates. They have not all been used exactly the same. That is why their end dates are not the same. But could I just make this qualification? With machinery like this it is a bit like grandfather's axe, you can keep them going by spending money on them and each stage you have to make that decision because some of the licks are pretty big so you say, 'No thank you, you are an anchor'. That is the qualification I would put on it. But we do have a few dates here.

Channel Island: unit three has already been retired but it is still there. People can cannibalise it for parts. Weddell units are planned for retirement in 2037—well that is outside. C1 is at the stage where it has less than 130 starts remaining. We are working on that staying until 2027.

Mr BURGOYNE: Sorry, C1 at Channel Island? Can you just repeat that sorry?

Mr BREE: We think that has about 130 starts left in it and will take us to 2027 the way we intend using it.

Mr BURGOYNE: And what is the average?

Mr BREE: C2 is in the same boat. We have that on a plan to keep it until 2027. C4 and C5—now I mentioned combined cycle before—are the two engines that drive the combined cycle unit, so they are pretty key to us. C4 is capable of another 10 years. C5—we will have to consider spending money on it to get it past seven. They are crowding up at 2027, there is no doubt about that. Then C6 is pretty good, it has at least 10 years.

Mr BURGOYNE: Are they all 40 megawatt units at Channel Island?

Mr BREE: No, I would not call them 40. They run about 30 but they peak at 32, I would say.

Mr LAUBSCHER: I will add to that. It is back to your previous question. It is a bit complex; it is almost like the Ron Goodin. It depends how system control uses us. That is based on months and years, but these engines run on running hours and we and looking equivalent stops and starts, which takes away some life. It is pretty complex. Our assets team monitors that fairly closely. So as Dennis was saying, it depends on the condition monitoring you are doing. We have extended the life of a few engines. It is not all going to stop right at the end. We have a good plan in place to replace these things gradually over time with smaller and faster machines.

Mr BURGOYNE: Are you able to share with me that plan today?

Mr BREE: Member for Braitling that is the one I refer to—I am promising you next year I will be much more forthcoming on these matters. I will need to be. I would be jumping the gun if I tried to.

Mr BURGOYNE: Absolutely, I know. I can see already that we are looking at close to $90m by 2027 in generator replacements or other associated maintenance that will have to take place to extend the life of those generators. I guess I am just trying to work out—that is huge cost.

Mr BREE: This is a big capital cost game that we are playing.

Mr BURGOYNE: It is. And it will have to happen. In the same way with any other department, I want to know that a plan is in place so that over the coming years we can slowly start chipping away at these things. Yes, I understand it is a huge capital cost.

Mr BREE: That is what we intend on having. The offsetting thing is that the machines we replace these ones with will be more efficient. The life cost of fuel in a machine vastly outweighs the capital cost so there is a certain break-even point when you replace a machine with something much better, that is more fitting.

While the numbers will be very big so will the numbers that go down in the gas budget. We are hoping we get a good trade-off in that.

Mr BURGOYNE: That is why you would probably start looking right now at what savings we can make.

Mr BREE: Yes, exactly.

Mr BURGOYNE: Earlier this year we had a Darwin blackout. There is still a bit of confusion amongst some. It was initially blamed on a generator glitch and then there were reports it was caused by a local gas infrastructure supply issue at Channel Island. Is it true that there was scheduled maintenance on that gas pipeline into Channel Island that day?

Mr BREE: This is the recent one?

Mr BURGOYNE: Yes, the recent one.

Mr BREE: Yes, APA was carrying out some work on some valves, I think.

Mr MALLAN: TGen is aware that APA was doing some work on the transport infrastructure. We have not seen a formal report from them in terms of what work was being undertaken or what transpired for the failure of flow.

Mr BURGOYNE: When was TGen notified about the works on the gas pipeline? Was it prior to them or only after the incident had occurred?

Mr MALLAN: We did not receive any formal notification before the works. Some of our staff at Channel Island were aware that work was going on because they drive past the gas yard as they go in. It is also important to understand that is not uncommon. APA is regularly out doing checks and validation and a whole range of stuff on their infrastructure, so it is not unusual to see them there.

Mr BURGOYNE: Out at the station, what sort of reserves, tanks and storage do you have that would allow the gas generators to continue running even whilst maintenance is being carried out on that line? Is there only one gas pipeline to Channel Island?

Mr BREE: Yes, there is only one. It splits up after the APA. In the case of this incident, my understanding is that if you think of them as sub-pipes going into different machines, it affected one out of two at the point that occurred. We do not store gas out there, though. Our standby is diesel.

Mr BURGOYNE: Effectively, once that gas supply was cut, one generator shut off and the other continued to run.

Mr MALLAN: Effectively, no. What is important is that we do not have local gas storage on-site but generally the entire gas reticulation system does carry some inventory that we generally refer to as linepack. The issue with where this valve shut was because it was so close to the generating units. There is very little pipe within our property and there was no pipe left from the APA side so we sucked that pipe dry pretty quickly.

The two feeds into Channel Island generally, one of them services unit C8 and C9, which are two Trent units. That feed was not affected by the incident, but the pipe that runs into the frame 6Bs which is a C1 through C5, as well as C7, lost supply.

Mr BURGOYNE: Would it be reasonable to expect that any maintenance works, including cleaning the pipeline or whatever other maintenance might be occurring might incur an interruption in gas supply to the power station?

Mr MALLAN: Yes. To be clear, we procure gas and transport as a bundled product from Power and Water and we are not a party to its agreements with either the gas supplier or the transport supplier. Those arrangements contain a requirement for their suppliers to notify of any high-risk work or work that might interrupt supply.

Mr BREE: If the pipeline had to be closed down for some purpose, we would have to go onto diesel.

Mr BURGOYNE: In this instance the gas supply was cut off and the diesel backing up, as you would say, would usually occur when you were properly notified?

Mr MALLAN: With the two Trent 60 machines, one was on a long-term planned outage and the other had a valve or metre failure on the Friday of the previous week. We scheduled it to be changed out on that Monday. When the supply shut down to the balance of the station, both machines had been planned to be offline for that day.

Mr BURGOYNE: There are six generators at Channel Island. On that day, how many could be called upon to produce electricity?

Mr BREE: Only the ones on gas.

Mr MALLAN: C1 through C5 combined cycle, which is steam and C6 …

Mr BREE: But that was cut off?

Mr MALLAN: Yes, they were all cut off.

Mr BREE: Which ones were operating?

Mr MALLAN: Weddell. We have three units at Weddell which is 120-odd megawatts.

Mr BREE: Channel Island could not produce anything, is that right?

Mr MALLAN: Correct, yes.

Mr BURGOYNE: I imagine Channel Island usually supplies a large proportion of electricity to the grid. What is the capacity of Channel Island?

Mr MALLAN: Channel Island has seven turbines installed at 279 megawatts. Weddell has three gas turbines at 129 and Katherine is four turbines at 36.5, and they make up our generation on the Darwin-Katherine integrated system.

Mr BURGOYNE: What has been put in place to ensure that that sort of thing never happens again? Obviously, there is maintenance to the pipeline. Going forward, what has been put in place to ensure that does not happen again?

Mr BREE: I can speak from the board's point of view. We have asked management to make sure that our arrangements with Power and Water reflect the need for us to be advised of any work on the gas. It is obvious but I will say that we would not have had diesel machines down if we knew someone was operating on the gas.

Mr BURGOYNE: The diesel machines were not able to be called on because they were down …

Mr BREE: They were down for maintenance.

Mr BURGOYNE: But if you had known that the maintenance was to be occurring on the pipeline you would have been able to stand them back up? Were you not waiting on parts?

Mr BREE: Or we would have asked them to defer the maintenance. We would have just worked it out.

Mr BURGOYNE: Has anyone spoken as far as the urgency of the maintenance on the pipeline?

Mr BREE: I am not aware of that, no. I think that will come through in the final report, Member for Braitling.

Mr BURGOYNE: I guess this goes somewhat to what we were talking about earlier. The Northern Territory electricity outlook report reveals that between 2026 and 2028 eight generators in Darwin and Katherine will reach their decommissioning date and need to be replaced. What will be the total cost of replacing those generator units? I understand that we are going to do it over time. There will be maintenance but what I am trying to work out is, working on that $1m per megawatt, are you able to tell me how many megawatts are going to be displaced and arguably need to be replaced during that time?

Mr BREE: Not at this stage. In broad terms we have said that it is $1m per megawatt and those machines will all need to be looked at in that period. Will they have to be replaced by about the same capacity? Yes—we think. The way the current technology is, that would be our guess. We will go to the market and find out what that gives us at the time. In the industry, $1m a megawatt is the budget price.

Mr LAUBSCHER: We are working on a 10-year capital plant. As Dennis was saying, through the next year we will know exactly what that will cost and when we will have to deliver it.

It is very similar to the machines we delivered in Tennant Creek and Owen Springs—the Jenbachers. They are brand new machines that are capable and very efficient. We will be doing the same. As Dennis previously said as well, they will probably be small, fast machines that are biofuel capable.

We are taking all of this into consideration and the game is changing by the day.

Mr BURGOYNE: For 2019–20, what was the spend on maintenance?

Mr LAUBSCHER: It was $26m.

Mr BURGOYNE: What is budgeted for the 2020–21 figure?

Mr BREE: We will get you the exact number. For 2020–21 it is $26m, the following year $27.5m and then $28.5m.

Mr BURGOYNE: Obviously we will be kicking the can down the road for another three years and, essentially, maintenance costs of the current machinery will probably slightly increase as it is ageing, as we have outlined. I stress that we are talking about trying to spread the cost of replacing these machines, yet it seems in the next three years we are not allowing anything to …

Mr BREE: Oh, no, that is not our capital program. That is our R&M.

Mr BURGOYNE: Just the maintenance?

Mr BREE: Yes.

Mr BURGOYNE: Could you outline the capital project then, for this current financial year 2020–21 and the future capital projects that you are hoping will happen?

Mr BREE: We are forecasting—this is cash rather than commitment—$30m …

Mr BURGOYNE: In 2020–21?

Mr BREE: Yes. Then, $24.5m, then $27m. Our normal procedure, as we develop our long-term asset replacement plan, will be to layer it on top, to some degree. If we cannot absorb it in that, then we will need a business case that shows us how we can repay it and get it going. That is our current approach to it.

We have the capacity to increase that with the approval of our minister, but it is quite clear that we have to go with a business case that stacks up.

Mrs LAMBLEY: I am interested to know how the move to 50% renewables by 2030 will impact Territory Generation over the next nine or 10 years?

Mr BREE: In various ways. One, of course, is that we will lose market share. That is a significant one.

Mrs LAMBLEY: Have you done modelling on that?

Mr BREE: We have looked at the next couple of years. That was a reference in a reduction in the gas.

Mrs LAMBLEY: Gas demand.

Mr BREE: We have looked at that. We know that we will be called upon to provide other services to the system in a greater way, as a round-term spinning reserve. There are other services involved in that.

That will be a change for us. As we do our asset management plan, we suspect—as we have said a number of times—that we will have to reinvest in smaller, more efficient machinery to be more responsive to the demands of the system, which are much more variable when you have solar in the system. It is changing our business, there is no question about that.

Mrs LAMBLEY: In a profound way?

Mr BREE: Profound may be overstating it, but it is significant. If I could make a personal comment; in the 1990s I was involved in Power and Water, before people knew about it. It was a very different game; the risks were quite different. Yes, over that period of time, it has certainly changed a lot, I think because the change is continuous, we all adapt. It is just what is in front of us now.

Mrs LAMBLEY: You have just been talking about your capital investment and planning for the future in terms of generators, will the move to renewables potentially affect that?

Mr BREE: Yes. This has to be decided, but we are planning that we will still have to provide a lot of the capacity to the system for times when solar is not available. That is why we are talking about smaller, more responsive and efficient machines that operate better under that operational mode; it is a change for us. Thankfully in a way, it comes at a stage when our machinery is up for reinvestment anyway. It is not as though we will be throwing away perfectly good machines, that is for sure. It is quite the opposite.

Mrs LAMBLEY: Earlier, before the session, I asked you about something you mentioned last year, which I thought was really exciting. A hydrogen-powered generator at Yulara, is that correct?

Mr BREE: What we were talking about last year—I think it was last year?

Mrs LAMBLEY: It was last year. Well, 18 months ago.

Mr BREE: At that stage, we were looking at—and still are—replacing the Yulara Power Station because it needs replacement. That has been put off a little because of the decrease in load due to the pandemic.

We looked at a new more efficient power station that would have integrated the existing solar and maybe added some solar. At the same time, we provided a bolt-on option of hydrogen. We worked that up—a complete bolt-on so it did not have to be done at the same time, but could be done.

We talked to Arena about its interest in it. It was not economic, it needed someone to put in a bundle of money. We curtailed those discussions and that part of it is still on hold. Now that we have a situation where we are going again with Yulara Power Station—well, we will go soon on it, back to market—we will dust off our hydrogen plan and see whether it is appropriate to put forward to Arena or under the TERC recommendations—it has called for projects—and see if we can get some interest in it.

It is quite exciting but it is not economic at the moment. We have to get someone else to put up the money.

Mr EDGINGTON: I have a couple of questions about Tennant Creek, where I am based. What is the capacity of the power station there?

Mr MALLAN: Tennant Creek Power Station currently has 13.3 megawatts of capacity.

Mr EDGINGTON: On a daily basis, how much power is being generated or used?

Mr MALLAN: I will be reasonably round figures with it, it is about two to four, quite consistently. We can take it on notice to look at peaks and troughs, if you would like.

Mr EDGINGTON: When you spoke earlier about spinning reserve, what sort of spinning reserve would be used in Tennant Creek?

Mr MALLAN: Spinning reserve is typically around one megawatt.

Mr EDGINGTON: Is that normal or reasonable? What is the cost of that spinning reserve?

Mr MALLAN: Spinning reserve is effectively the unused potential, for want of a better description. The cost varies during the operating stages. If you need to start a machine just to provide it, if you only start a machine to get to that because you have ticked over the one kilowatt to trigger it, you would argue that spinning reserve is quite expensive. If you have load on the system and all of the machines operating are a bit down on their efficiency curve or pushed down a little bit to create that space, it is cheaper to run.

We can have a look at Tennant Creek and see the estimate for the average cost of spinning reserve. I do not have that at hand. We have also run some additional spinning reserve in Tennant Creek in an attempt to support the gas compression plant with some power stability. We did that on behalf of Jemena, from memory, for about six months.

Mr BREE: I see what you are looking for in terms of the cost. We will do our best to find that out, but spinning reserve is an integral part of running a supply in the sense that you cannot do it without it. It is just a cost of the business of running any generation.

Mr EDGINGTON: Is the spinning reserve something that is put in place by TGen or is it managed externally?

Mr BREE: System control directs us. They decide how much.

Mr EDGINGTON: How often are the decisions made by system control about what the spinning reserve will be?

Mr BREE: That just happens in real-time all the time.

Mr EDGINGTON: It is happening constantly?

Mr BREE: Yes. I mean they might tell you to set it but they are watching. Loads go up and down so the circumstances can change.

Mr EDGINGTON: All of that technology is in place to ensure that the spinning reserve is maintained at an appropriate level?

Mr BREE: Yes, they are watching it all the time.

Mr EDGINGTON: Given the overall capacity of the power station—mining is a big opportunity in the Barkly region. Does TGen have the ability or authority to negotiate directly with mining companies about the use of power in the regions or is that done through Power and Water?

Mr BREE: Jacana would probably be the first stopping point and then Jacana would see us. It is not impossible for them to come to us but we would have to get special permission to talk directly to supply. The reason we would have to is that we had a circumstance where that occurred in Pine Gap at Alice Springs, where we are supplying directly. For some customers at large they have special needs and that might be the answer. But as a rule, it would come through someone else. We would just be required to supply the power. Some intermediary would talk to us and tell us that need an extra five megawatts on the system and ask if we could do it. We either say yes or no, or we can go and get it in six months, or whatever.

Mr EDGINGTON: It sounds like there is sufficient capacity if big projects were to come on board, there is more than enough capacity in the current power station to manage that.

Mr MALLAN: Generally, yes. It would be worthy of noting that some of the fleet is older and much closer to the retirement phase than some of the others. If new demand came, you could utilise that fleet and if you knew you had a significant step in demand for the long term then you can fleet appropriately for that.

Mr EDGINGTON: How many generators are there at the power station in Tennant Creek?

Mr LAUBSCHER: There are 21; however, five are coming to end-of-life soon. There were a few new machines just installed recently.

Mr EDGINGTON: That is right. I went to have a look.

Mr LAUBSCHER: This will be enough capacity at this stage to the best of my knowledge.

Mr EDGINGTON: With the ones due for replacement, how far off before they are due for replacement?

Mr LAUBSCHER: These five are due very soon. They need to be put out of service.

Mr BREE: We have a process to go through to do that.

Mr LAUBSCHER: As I said, they have been replaced with Jenbachers already. The machines were installed in advance of that.

Mr EDGINGTON: Given that there is plenty of capacity there, will you still replace those five? Or are there any plans not to replace those five?

Mr BREE: We would say they have been replaced already. We have put the new ones in and we are taking them out.

Mr EDGINGTON: I thought you said there were some that will be due for replacement soon?

Mr LAUBSCHER: Yes, but the Jenbachers that we put in about a year-and-a-half ago have been installed and are running really effectively.

Mr EDGINGTON: What is the capacity of those new ones?

Mr MALLAN: Roughly 15 megawatts per unit. The five units that are due to be decommissioned will reduce the station's installed capacity by 6.5 megawatts when they come off.

Mr BREE: Seven-and-a-half in, six-and-a-half out.

Mr BURGOYNE: Just to pick up on a question I asked earlier, I only asked about if the Katherine solar came online, whether that would affect grid stability. If the total solar capacity we have spoken about earlier came online without a battery, would that create such instability in the grid due to the fluctuations that it would not be able to …

Mr BREE: No, we would have to supply the stability services with our existing thermal generation.

Mr BURGOYNE: Bringing that online without a battery would not create such instability in the grid that it would not be able to occur?

Mr BREE: No.

Mr BURGOYNE: That is good to know.

Was the cost of capital revised down to avoid another asset write-down?

Ms WALTERS: No, every year we review the rate that we use. It was reviewed with the inputs to reflect the current market conditions. It came down because of current market conditions.

Mr BURGOYNE: Going forward, and we spoke about it briefly, I said the maintenance budget is only just increasing and now the actual—the $30m, $24.5m and $27m. That was the capital expenditure decreasing between 2020–21 and 2021–22 but then it goes up by a couple. Have the replacements for the generators been thought about in these projections or are you saying that nothing will happen for the next four years?

Mr BREE: It will start showing up in our next SCI. The plan we are putting together now should start feeding into the last year of next year's SCI. That would be my guess. We may find things that force us to move more quickly but at this stage that is our plan.

Mr CHAIR: Ms Walters, you were saying about the cost of capital reflecting the market. It has come back due to the interest rate being 0.1% for the cash rate at the moment, I would assume?

Ms WALTERS: Yes, that is one of several inputs that goes into that calculation.

Mr BURGOYNE: Thank you very much for coming in today.

Mr CHAIR: That concludes our session today. On behalf of the committee, I thank you, Mr Bree, for appearing before the committee. I thank all your staff for coming in and answering questions. I think you are lucky last, but we have the Speaker next.

We will take a short break for the changeover. Have a good afternoon and weekend.

Mr BREE: Thank you very much.

The committee suspended.

THE SPEAKER'S PORTFOLIO

DEPARTMENT OF THE LEGISLATIVE ASSEMBLY

Mr CHAIR: Welcome back, everyone. We will now look into the Department of the Legislative Assembly with Madam Speaker. I note that while the Administrative Arrangements Order puts responsibility for the Department of the Legislative Assembly with the Chief Minister, by convention the Speaker administers the department and will now answer questions relating to it.

Madam Speaker, welcome. I invite you to introduce the officials who have accompanied you today. I will then invite you to do make a brief statement and call for questions relating to the statement. The committee will then consider any whole-of-government budget and fiscal strategy-related questions before moving on to output-specific questions and finally, non-output specific budget-related questions.

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 that other members may join in on a line of questioning pursued by a shadow minister rather than waiting for the end of the shadow's questioning on an output.

Madam Speaker, would you like to introduce and make an opening statement?

Madam SPEAKER: Thank you, Mr Chair and the Estimates Committee. With me at the table today is the Chief Executive Officer of the Department of the Legislative Assembly, Mr Michael Tatham; the Deputy Clerk, Ms Marianne Conaty; and the Chief Financial Officer, Diem Tang.

This is my first appearance as the Speaker of the NT Legislative Assembly. It is great to be here as I have some familiarity as a previous Chair of an Estimates Committee. The committee is aware, as Mr Chair has indicated, 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 Chief Minister. I will provide some highlights of the department's activities before taking any questions.

Education and outreach remain key components of what we do. 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.

Even with the COVID-19 restrictions in place for much of 2020, we have continued to serve in this area. The Know Your Assembly seminars, in their sixth year, have been attended by approximately 1,100 since their inception. I was fortunate to be able to participate from the Speaker's chair during the September session and read the overwhelmingly positive feedback from those who attended.

School engagement has been curtailed during the COVID-19 pandemic response. At the end of Term 1 of this year, 650 had to cancel visits to Parliament House for educational activities. From Term 2 onwards things have slowly been getting back to normal in the context of COVID safety.

This year the Assembly has been able to welcome 2,306 school students here and through outreach. Another 1,115 have participated in the adult education programs. A further 808 people have experienced public and private tours by request. Since becoming the Speaker I have focused on the Assembly's presence on social media and the accessibility of the website. While 1,300 people follow the Assembly on Twitter, and we have a Facebook presence, I am interested in how far we can go with video-clip accessibility and other access with the limited resources we have.

I have received a detailed website and social media briefing from department staff. I ask further questions on my and your behalf, as members. The previous Speaker advised the committee last year that in the absence of a standalone website, access to video on demand and a smooth search function must utilise the resources of the Northern Territory Library's Territory Stories platform for the retrieval of *Hansard*. We know we have limited resources and I always urge the department to do what it can with what we have, to achieve more.

Since becoming the Speaker I have met regularly with the Clerk and other officers of the Assembly to ensure I am at the top of my brief to serve this Assembly. Typically, each week I discuss 25 to 35 agenda items with the Clerk. It is my intention to be kept well-informed and proactive as Speaker, serving Territorians in their parliament. I am always respectful and thoughtful in consultation and feedback from anyone on any matter related to the Assembly.

Later today members will have their opportunity to provide such feedback and ask questions relating to Budget Paper No 3 and the performance measures reported annually. Today, I report on last year's members' results. Members were surveyed during the October 2019 meetings of the Assembly against seven specific questions relating to Budget Paper No 3 and performance measures which are reported against annually in the Clerk's CEO performance agreement.

The DLA remains under budget and on track this year, as it has in previous years, in order to deliver on its priorities and required outcomes on time and within resources.

Fifteen responses were received to the member survey last year—two less than in 2018. Members were advised by the then Speaker when the survey was circulated in the Chamber that a non-return was counted as an indication of 100% satisfaction across all categories. This methodology has been applied each year for seven years and I intend to do the same this afternoon.

The survey contains a few text areas inviting comments on matters such as the Parliamentary Library Service, *Hansard* accessibility through the Territory Stories facility in the library, and other matters. The following five comments were made in regard to last year's survey:

- the *Hansard* is incredibly difficult to search
- thank you, always helpful

- Parliamentary Library, 100%; the *Hansard,* through Territory Stories, 50%
- thank you all again
- we need the library service and should use more.

The results for 2019 show all categories improved over the previous year, which was great news. I will run through the questions.

The first question was 'Satisfaction with Chamber support and advice'. The 2018 result was 98.12%; last year it was 99.2%.

The second question was 'Production of the Parliamentary Record'. The 2018 result was 97.6%; last year it was 99.6%.

The third question was 'Satisfaction with committee meetings and reports'. In 2018 the result was 98.125%; last year it was 98.91%.

The fourth question was 'Satisfaction with education programs'. The 2018 result was 98%; last year it was 98.33%.

Question five was 'Satisfaction with internal services'. The 2018 result was 95%; last year it was 97.8%.

Question six was 'External services'. In 2018 the result was 91.25%; last year it was 92.8%.

The seventh and final question was 'Satisfaction with Building Management Services'. In 2018 the result was 95.7%; last year it was 98.5%.

The best return remains in 2013 when 19 responses were received from members. I hope that later today you will assist us to better that outcome. Let us aim for 100%.

I turn very 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 the government, not the Speaker.

As you know, the department cannot reduce the number of Assembly members or their staffing entitlements, salaries, office accommodation, rents, vehicle leases, allowances and member electorate and constituency work. It is, however, well understood that the government has had to find significant savings.

The impact of last year's budget meant the Department of the Legislative Assembly had a reduction of department staff in the past year. Two officers were transferred to the Department of Infrastructure, Planning and Logistics. With the reduction in committee activity in the 14th Assembly, the DLA has left a position in that area unfilled for the time being. It was a position transferred from another area for the surge in committee demand in the 13th Assembly scrutiny committees. Consideration will now be given to filling demand in other areas.

Last year, the then Speaker advised this committee that the Education team had been reduced by natural attrition from three to two. It remains at two funded positions. In addition to the reduction in full-time ongoing staff, the two temporary full-time independent research officers employed for the duration of the 13th Assembly completed their roles in June this year because the funding ceased on 30 June 2020.

In context, this department now has six fewer full-time officers than it had 18 months ago. In such a small agency, this represents a significant staffing reduction.

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

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

Mr EDGINGTON: Thank you for your opening address and welcome to all of the staff. I thank everyone for the work being done in the Legislative Assembly. It is impressive. Listening to the results of that survey—while I have only been here a short time—I am very impressed with the service I received as a member. I have heard feedback from our members that they are receiving a great service. Thank you from everybody here for the service provided. I am sure those statistics and results will continue.

I will go to the *Hansard* issue you touched on first. What is being done to improve the functionality of Hansard?

Madam SPEAKER: This is an ongoing matter, raised year in and year out, by a lot of parliamentary colleagues. For further detail on *Hansard*, I will ask Mr Clerk.

The CLERK: The matter of searchability of *Hansard* is in the hands of what we have in agreement with the Northern Territory Library in the Territory Stories area. Earlier this year there was a review and revamp of Territory Stories, which we were advised would make things easier. My personal view is that it made things more difficult. It is quite a clunky process; you have to click on a lot of things to get through and find tabled papers and other aspects.

The gold standard of searchability of *Hansard* is Queensland parliament. You look at the millions of dollars spent in Queensland; we just do not have the money to spend here. We are using the best resources we have available to us as a government agency by using our colleagues in another government agency to assist us with how we have website accessibility to *Hansard*. It is not ideal and is not what you want if you were starting from scratch for a bespoke parliamentary service.

If you go to the Queensland site, you can press on the member and videos on demand and watch every speech they have given. It is a fantastic model but extremely expensive and requires ongoing dedicated staff. We do not have dedicated staff for our website in this department. We are very small with only 34 people in the Legislative Assembly itself. While we have the *Hansard* transcribers and editors, we do not have dedicated staff for Hansard.

The answer is probably unsatisfactory in terms of what are we doing to improve it; the answer is not much because we are not much.

Madam SPEAKER: The Speaker's budget includes two positions: an executive officer and an AO4. I recently brought on board an engagement officer to look at those exact things. Knowing and being across the amazing work the Legislative Assembly staff do and the capacity they have right now, I will be using the AO4 communications officer—engagement officer—in my office to look at these projects. We will get cracking on that even more so in the new year, knowing that what we have is the best we can possibly get right now. I am not looking at a huge investment of funds, I am looking at how we can find ways to work smarter with what we have. We will bring more information back next year to the entire parliament.

Mr EDGINGTON: What is the specific amount of the efficiency dividend for 2020–21?

Ms TANG: For the financial year 2020–21, the efficiency dividend for the Department of the Legislative Assembly is 1% because we are considered a small agency. That equates to approximately $80,000 in dollar terms.

Mr EDGINGTON: Are there any further efficiencies to be made over the coming year?

Madam SPEAKER: As we are managing fiscal responsibilities within budget at this stage, I do not anticipate any further efficiencies.

Mr EDGINGTON: Just quickly, the budget line there, building management services—the budget paper for 2019–20 was $9.11m. There is a drop there of roughly about $2.5m. Can you explain what that is?

Ms TANG: The difference between the 2019–20 output for building management services and the new budget represents the portion of budget transferred to DIPL following the centralisation. The budget figures still remain within the department, it is just similar to any other agency that you probably come across during the estimates process. It is just a reclassification. It is now sitting under 'shared services received'. It is about $2m that is now actioned by DIPL, but reflected under a different category.

Mr EDGINGTON: Madam Speaker, I think you mentioned the transfer of two staff to DIPL. That is also part of that budget line, is it?

Ms TANG: That is part of the employee expended budget line, which would represent the equivalent of an AO6 and an AO3—the total budget transfer in 2012 of $212,000 in addition to the repair and maintenance transfer of $2.3m.

Mr EDGINGTON: Given the time, I have no further questions on the opening statement. I am happy to go to the outputs.

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

Mr YAN: I thought I would come in and finish out the day—start the week and finish out the week. Were extra staff hired when the Legislative Security Committees were introduced, and if so, what has happened to those staff now the scrutiny committees have been scrapped?

The CLERK: The department had a SAO1 level officer transferred from the Office of The Clerk and then from the Business Services unit. There was a position that was vacant, so we transferred that position over to Committees in the 13th Assembly for the employment of a personnel contract. Their contract expired at the conclusion of the 13th Assembly on the basis that we did not know what would happen at the 14th Assembly. There was a movement within the department to hire someone in the Committees area, who was not there before and is not there now, so a senior officer in committees during the 13th Assembly is not there now.

Mr YAN: Do Independent members still have access to the independent researchers that they had in the previous parliament?

Madam SPEAKER: That was a decision of government, and so that would be better directed to the Chief Minister. I have not received notification, but the service through the Parliamentary Library is still open to all members for research assistance.

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

Mr CHAIR: The committee will now proceed to consider the estimates of proposed expenditure contained in the Appropriation Bill 2020–21 that relate to the Department of the Legislative Assembly. Are there any agency-related whole-of-government questions on Budget and Fiscal Strategy?

There being no further questions 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, Parliamentary Services, Output 1.1, Assembly Services. Are there any questions?

Mr YAN: Can you please advise the 2019–20 actual expenditure for this output?

Ms TANG: The total expenditure for the year 2019-2020 was $3.17m. It is as per page 32 of the department's annual report.

Mr CHAIR: That concludes consideration of Output 1.1.

Output 1.2 – Members and Client Services

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

Mr EDGINGTON: Madam Speaker, can you please advise the 2019–20 actual expenditure for this output?

Ms TANG: The actual expenditure for the year 2019–20 was $9.426m. The same as on page 32 of our annual report.

Mr CHAIR: That concludes consideration of Output 1.3 and Output Group 1.

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

Mr CHAIR: I now call for questions relating to Output Group 2, Corporate and Shared Services, Output 2.1, Corporate and Governance. Are there any questions?

Mr EDGINGTON: What additional operational expenditure did the agency incur during 2019–20, responding to the COVID-19 pandemic?

Ms TANG: The expenditure that the Department of the Legislative Assembly incurred in response to the COVID-19 pandemic for the financial year 2019–20, was $3,800 to buy hand sanitiser, clothes and minor things.

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

Madam SPEAKER: The department has three executive contract officers at the five, three and one levels. There is one Executive Officer 1 contract, one Executive Officer 3 contract and one Executive Officer 5 contract. Three in total.

Mr EDGINGTON: Has there been any cost savings to the agency from the implementation of pay freezes for ECOs?

Madam SPEAKER: No.

Mr EDGINGTON: I just want to get back to ICT services. Are there any short or medium-term plans to replace or upgrade any of the systems?

Madam SPEAKER: That would be a decision, with our input of course, but for consideration by the Department of Corporate and Digital Development, which provides us with the ICT services within the Department of the Legislative Assembly. To the further advice, we at the Department of the Legislative Assembly naturally keep an eye on our assets, how they are working and how they need to be improved and maintained. At the moment we have an upgrade of the audio-visual equipment in the Chamber. I will ask the Chief Financial officer to go into further detail.

Ms TANG: In the financial year 2019–20, there was funding of $960,000 for the installation of an audio-visual system for Parliament House Chamber and the Committees room to maintain recording and broadcast of the Legislative Assembly meeting. Of that $960,000, $754,000 has been revoted into the new financial year 2020–21.

Mr CHAIR: Thank you, members and Madam Speaker. That concludes our time for consideration of the outputs relating to the Department of the Legislative Assembly. On behalf of the committee, I thank you, Madam Speaker for appearing today and all of your staff. I thank the departmental officers who have provided advice to you today.

Madam SPEAKER: I would also like to put on the public record my gratefulness and extreme thanks to all members of the Department of the Legislative Assembly, especially Mr Clerk and Madam Deputy Clerk.

Thank you to Diem for being here and keeping an eye on our budgets for us. As you would be well aware, department staff work extremely hard to make sure that all members can do the best job they possibly can to represent their constituents.

Thank you to the committee for all of your work this week, I know that it has been a tough slog. I look forward to seeing you in the Chamber at 2.30 pm.

Mr CHAIR: Thank you, Madam Speaker.

That concludes the committee's public hearings on the estimates of proposed expenditure contained in the Appropriation (2020–2021) Bill and the statements of corporate intent for the Power and Water Corporation, Jacana Energy and Territory Generation.

I remind officers that all answer to the questions taken on notice—which we had several—must be given to the Clerk First Assistant by Friday 22 January 2021.

On behalf of the committee, I extend my thanks to the ministers, board Chairs and officials who appeared before the committee. I also take this opportunity to place on the public record my appreciation of the assistance provided by agency staff, especially the DLA, Mr Keith and his team. I also thank the members of the committee and other members who participated in the hearings for the work they have put in and the overall manner in which the public hearings have been conducted.

I now formally close these public hearings of Estimates Committee.

The committee concluded.