

The Government Owned Corporations Scrutiny Committee convened at 1.30 pm.

Mr CHAIRMAN: I will start by announcing, for Hansard, members of the committee: the members for Nelson, Goyder, Port Darwin, myself, member for Brennan, the members for Greatorex and Katherine, and the Leader of the Opposition, the member for Araluen.

Good afternoon. I declare open this meeting of the Government Owned Corporations Scrutiny Committee of the Legislative Assembly of the Northern Territory on Friday 29 June 2007, and extend a warm welcome to everyone present.

I table a copy of the Order of the Assembly dated 20 June 2007, which appoints a committee for the purpose of examining and reporting on the activities, forms and principles and financial management of the Power and Water Corporation, a government owned corporation under the *Government Owned Corporations Act* with reference to the Power and Water Corporation's Statement of Corporate Intent 2007-08. The order effectively uses the current membership of the Public Accounts Committee. I should also point out that the committee, at its meeting of 2 May 2007, agreed that the timing for public hearings shall be 1.30 pm to 3.30 pm on Friday 29 June 2007 in accordance with paragraph 14 of the Order of the Assembly.

I would also like to report that, at that meeting, the member for Port Darwin was elected Deputy Chair of the committee in accordance with paragraph 4 of the Order of the Assembly. I advise that, as a result of a resolution of the committee, media can be present and are able to record and broadcast proceedings of this hearing.

Some procedural issues I should bring to everyone's attention before I call for questions, under section 19 of the Terms of Reference for this committee, questions should be put directly to the Chairman of the Board of the Power and Water Corporation, with assistance from the Managing Director and other officers as required. Although this is a public hearing, it should be noted that, under section 20 of the Order of the Assembly, the Chairperson and other witnesses will advise when evidence is of a commercially sensitive nature, and that such evidence be heard *in camera*. As Chairman of this committee, I will invite the Chairman and witnesses to give the reasons for their request.

The procedures adopted by the recently completed Estimates Committee to address questions taken on notice will also be utilised through the public hearing of this Government Owned Corporations Scrutiny Committee. To provide for completeness of process, the opportunity was available for members, during the Estimates Committee's public hearings on Tuesday 26 June 2007, to question the Treasurer on the issue of Community Service Obligations made to the corporation and dividends paid to the Northern Territory government by the corporation.

I now table the Statement of Corporate Intent and a copy of the Annual Report of the Power and Water Corporation. The committee will now proceed to consider the activities, performance, practice and financial management of the Power and Water Corporation. I welcome from the corporation Mr Neil Philip, Chairman of the Board, and Mr Andrew Macrides, Managing Director. I now call on the Chairman to make an opening address, if you desire.

Mr PHILIP: Thank you, Mr Chairman. I am pleased to speak with you today about Power and Water's past year and its future. I am also pleased to say that I am here today with the corporation's new Managing Director, Andrew Macrides, who has worked with the corporation since 1998. He replaces Kim Wood who left the corporation in February this year. Power and Water is Australia's most complex multi-utility and I am really pleased to have Andrew take on this role to help drive our capacity to meet the future needs of Territorians. As many of you will know, Andrew was born here and he is a very longstanding Territorian indeed.

The past 12 months have held challenges and rewards for the corporation. Most significantly, Power and Water has announced a five year, \$814m infrastructure plan to cater for demand growth, asset refurbishment and renewal, and this represents the largest investment by Power and Water in essential services in the Territory's history.

In 2006-07, the financial performance, nett profit after tax is projected to be a loss of \$58m. The loss is due to the application of accounting standard AASB 136, which relates to the impairment of assets and which results in a \$132m write down of water and sewerage assets projected for 30 June 2007. Excluding that write down, nett profit after tax would be on budget at

\$34m. In 2007-08, the corporation is budgeted to achieve a nett profit after tax of \$22m in the face of rising input costs, especially for energy and supplies. In this regard, the recently announced CPI-based tariff rises were necessary and timely.

In 2006-07, higher revenues have offset cost increases. Electricity sales were 1% above budget and 3% higher than in 2005-06. There is a strong increase in gifted assets and capital contributions for 2006-07, 36% up on budget and 47% up on 2005-06, and that reflects the increased activity by private developers resulting from the Territory's booming economic conditions.

Energy costs for 2006-07 are forecast to be \$144m, which is 5% higher than projected. Gas consumption was higher than planned because of increased electricity demand and was sourced from higher priced contracts. This usage of the Channel Island Power Station was high a number of times in October and November 2006 because of record demand. Higher repairs and maintenance expenditure is the result of increased activity and costs. We have continued to buy locally wherever possible, paying more than \$384m to Territory-based firms so far this year, out of a total spend of \$587m.

You may recall that, in mid-2006, Power and Water signed a gas sale agreement with ENI Australia to take gas for up to 25 years from the Blacktip field from early 2009. All the essential conditions have been achieved and the Blacktip project is on track to be producing gas by 1 January 2009. The corporation also signed a gas transportation agreement with the Australian Pipeline Trust for gas to be delivered from ENI's onshore processing plant near Wadeye. APT is on track to complete construction of the Bonaparte gas pipeline by December 2008 now that an agreement has been reached with Indigenous interests.

In terms of capital expenditure, in 2006-07, Power and Water is projected to spend \$99m on capital projects. In 2007-08, that investment will increase significantly to \$153m and total \$592m over the next five years. Generation across the Territory continues to be a key focus for us. The Channel Island Power Station control system upgrade was finished in October 2006. Construction of the \$126.6m Weddell Power Station has begun and will commence to supply energy into the Darwin/Katherine grid by the end of this calendar year.

In Yulara, the corporation is building a new station, including installing two 1.5 mW diesel sets. In Alice Springs, \$40m has been committed to building a new power station at Brewer Estate, and it is anticipated that the station will be operational by the end of the 2008 calendar year.

With our water strategy, we have a number of initiatives under way. The first of those is raising the Darwin River Dam level by 1.3 m by 2009-10 to provide an extra 20% capacity. We are applying to extend our draw from the Howard East bore field by 3000 mL each year, providing an increased capacity of 6%. We are consulting the public on options, such as developing new dams.

The \$40m sewerage strategy covers, among other things, the closure of the Larrakeyah outfall by 2011. The \$10m Alice Springs soil aquifer treatment system, which is expected to be operational by December 2007, will process treated effluent in a filtration plant and stored underground. This will see the end of Dry Season discharges from Ilparpa Swamp.

Power and Water is a major partner in the Alice Springs Solar City project. Federal funding for the project was announced in April. We have supported, and will continue to support, the project in a number of ways including cost-reflected pricing, buy-back rates and smart metering.

Indigenous communities are very much in the news at the moment, and Power and Water's mission includes providing essential services to indigenous communities. We dedicate substantial resources to this not-for-profit activity, and benefit from skills transfers and engagement with the wider community. A step change in electricity demand is expected in these communities, and Power and Water will further develop its energy source strategy for remote communities, with a view to providing cost-effective and environmental energy solutions in these communities.

Investment in our networks has been, and will continue to be, substantial. The performance of the electricity supply system in the Northern Territory has shown improvement on previous years. The 20-year project to underground power lines across suburban Darwin is nearing completion in Nightcliff. Nightcliff is the first of 15 suburbs to have its overhead power lines replaced with reliable and safe underground lines. The project is jointly funded by the Northern Territory government

investing \$3m each year, and the Power and Water Corporation contributing \$1.2m each year. Undergrounding in Nightcliff began in 2004, with 698 properties converted to date, and undergrounding works to about 700 properties in Rapid Creek has begun.

The corporation is continuing to invest \$500 000 each year into its insulation and cross-arm replacement program across Top End rural areas. Expected to be completed in 2008, the program aims to improve reliability of service to these communities.

One particular challenge we face is attracting skilled and experienced staff to the Territory, a challenge shared by many organisations in the Territory. We have taken a strategy to grow our own by offering young Territorians traineeships and apprenticeships. Between March 2004 and March 2007, we have doubled our apprentice and training workforce from less than 30 to 60 people Territory-wide. I again pay tribute to Power and Water's hard-working staff who continue to do an outstanding job in some fairly horrendous conditions at times.

On the board, Barry Chambers, Margaret Gibson and Linda Mackenzie have joined our other directors Judith King, Peter Vines and Bob Neil.

In closing, I would like to make a comment, Dr Lim, on your announced resignation. I wish all the very best to you and your family. The contribution you have made to this annual hearing is something I have learned a bit from. All the very best to you, thank you.

Dr LIM: Thank you.

Mr CHAIRMAN: Before I call for questions, for *Hansard* purposes I note that the member for Braintree has replaced the member for Nelson. Are there any questions?

Mrs BRAHAM: Apologies for being late, Mr Chairman.

Dr LIM: Not so much that I want to question the statement from Mr Philip, I thank you, Mr Philip, for your kind words at the end. After 13 years, it is time to say goodbye. Thank you very much for the good, comprehensive summary of many of the issues that I want to raise today. I will ask you to elaborate on some of those issues.

It appears that Power and Water is getting things in order very well, and that the next five-year program, in all aspects, will see Power and Water Corporation's infrastructure to deal with the continuing growth of the Northern Territory for many years to come.

If I may, first of all, focus on the financial aspects, it was very fast and I could not catch all the figures. Obviously, the government's authorisation allowing Power and Water to have a 4.4% increase on electricity tariffs per year for the next five years must be a godsend. Can we justify a 4.4% tariff increase each year for Territorians when most times the CPI is well below that?

Mr PHILIP: In response to that, the announced price part is, in fact, CPI. The CPI this year is 4.4%, so next year, it will be what the CPI is, and it is subject to an annual review to take into account any factors that emerge. For example, there could be massive price increases in a particular area, fuel, for example. So there is a reservation there to go back and look at it. The underlying increase is CPI, not 4.4%. In terms of 'godsend', I think the best term is that it is absolutely essential that this business has a price part going forward. We made that point here, and certainly I have made that point here year after year as Chairman. We are very, very pleased to see the government set this price, because it is the only basis for this business to be sustainable in medium term, there no other basis.

Dr LIM: Please correct me, you said it is CPI, so 4.4% goes in the first year. And that 4.4% is based on Darwin CPI and not national CPI nor Northern Territory CPI? I do not have the figures in front of me to be actually certain, but I believe the CPI in Alice Springs is lower than in Darwin.

Mr PHILIP: I would like to refer that to Andrew Macrides. I assume it is a blended average CPI for the Territory, but I will let Andrew answer that.

Mr MACRIDES: My understanding is that it is a Territory-wide CPI figure. It is based from December to December of each year. So for the purposes of our Statement of Corporate Intent, there will be a 4.4% increase in tariffs on 1 July, and each year and after that, we have factored a

CPI of 2.5% into our Statement of Corporate Intent on the basis that we believe that is the best estimate of what CPI is likely to be in the other years.

Dr LIM: By the way, I was probably very lax. Congratulations, Mr Macrides, on your appointment as CEO of Power and Water - long time coming. Unfortunately, I cannot say: 'Look forward to a long relationship across the table', but I am sure we will be talking many times between now and whenever we do meet.

Obviously, the increase of 4.4% is significant. How do you believe it will impact on Territorians? There was an article in the *Northern Territory News* around the end of April where this 4.4% was announced and some families are going to be affected quite significantly. How will you assist these families who are unable to follow it?

Mr PHILIP: Perhaps I will start answering that question, at least the first part of it, and Mr Macrides will have some specific figures. The impact model, our modelling certainly, in terms of electricity is, the prices I have seen for a couple in a unit is something like 98¢ extra a week up to \$1.98 for a family with two children with a standard house in the suburbs. So the impact of the price increases, I am not saying that they do not impact on people, they most certainly do. In the context of the price increases you have seen, not only for the staples of the average family in all of the Territory centres, and also the luxuries, you see the price increases there. I guess, just to round that off, in terms of real price increases, there has actually been a fall in real prices from approximately 2000. We have some specific numbers on that as well.

We have a program. We are proud of the corporation with the program we have undertaken to tidy up debtor management to ensure that people pay their bills when they can pay their bills. The key part of that is to have a genuine hardship policy, and we do that. We exercise, we believe, increasingly better judgement as to how we assist people in genuine hardship. We have a program where we see ourselves effectively putting the decision-making for emergency relief in the hands of a couple of charitable organisations. We feel they are better placed, with their interface with the community, to make those decisions. There is no question that we consistently strive to temper the need to collect the money we are owed to run the business, with taking account of genuine cases of hardship in the community, and these price rises, in our view – yes, they are rises, but they are not enormous rises - they are reasonable rises.

Dr LIM: When you mentioned that you will use charitable organisations to assist in cases of hardship, are you saying that you provide a cash grant to these organisations to assist their clients?

Mr PHILIP: I will refer that to Andrew, because he will have the information.

Mr MACRIDES: Yes, that is exactly what we are proposing to do, Dr Lim. We have had discussions with a number of these charitable organisations. When you look at the utilities sector interstate, it is quite common practice for utilities to have hardship-type policies in place. Generally, those policies are delivered via the community sector itself, because they are best placed to provide those services. Our view is that we would be offering an amount of money, and that could be as high as \$100 000, to community organisations to assist genuine hardship cases that come through our door and are having difficulty budgeting their utilities bills, refer them back to these designated service providers, who would provide them with a range of life skills and assistance with managing their household budgets, as well as obviously being able to offer them some funds to pay off their electricity bill.

Dr LIM: Let us go through some of the practical things you mentioned in your introductory statement, and then I will come to the more broad-brush issues. The poo shooter – excuse me for using that, it is easy to remember – can you elaborate on the time lines and whether you are on target or not as to when you said the poo shooter will be hopefully closed down by ...

Mr MACRIDES: 2011.

Dr LIM: If you could elaborate on the timelines, the plans that are there and whether there is sufficient funding in place to ensure that the program will continue without any degradation?

Mr PHILIP: I could start with the funding. It is certainly incorporated in our Statement of Intent moving forward for a five-year program, the funding is cleared in our capital spend over that

period. In terms of the timeline and the balance of the program, perhaps Andrew could assist me there, and we also have John Pudney from the Water Engineering business area.

Mr MACRIDES: Clearly, our \$814m investment program includes everything that is necessary to close down the Larrakeyah Outfall as well as to upgrade sewerage facilities across the Northern Territory. Larrakeyah Outfall is but one of our sewerage treatment facilities that exist, particularly in the greater Darwin area. With the urban growth that has happened, particularly in places like Palmerston and the East Arm Wharf area, for example, we need to construct new waste water treatment facilities and augment water treatment facilities in locations like Leanyer and Palmerston.

The five year capital investment program incorporates the various funding that is required to achieve augmentation, new waste water treatment facilities at places like the East Arm port area, but also to close the Larrakeyah Outfall down by 2011. It is going to be quite a complex project. A lot of the work associated with the project has already commenced as part of the old Darwin Sewerage Strategy. That strategy has expended about \$14m to date on doing a lot of the preparatory work, but a diversion of a major outfall like Larrakeyah will mean that we will have to run a trunk line under the CBD and divert the flow to another pumping station. At this stage, it is likely to be Frances Bay and from there through to the Ludmilla Waste Water Treatment Plant. We have to upgrade the Ludmilla plant and then upgrade the East Point Outfall so it can cope with the diversion of sewage to that point. So the budget includes over \$40m to achieve that objective. At this stage, we will be in the planning stage for a couple of years and we will close the Larrakeyah Outfall down by 2011.

Dr LIM: Does Power and Water or any other authority maintain a monitoring of the water quality near or at the exclusion zone to see what it is like?

Mr PHILIP: I will refer that to Andrew as well, please, Doctor.

Mr MACRIDES: Yes, there are 2 elements to that Dr Lim. In the first instance, we have a fairly extensive monitoring program for our own sewerage, and obviously we do monthly monitoring of the sewage that goes out of the macerator into the outfall itself. The EPA, as I understand, is doing regular monitoring of the Darwin Harbour and the water quality within Darwin Harbour itself. A year ago, when we appeared before this committee, obviously there was the infamous footage at that stage in the media of objects coming out of the outfall and, as a result of that, there was an extensive harbour monitoring program undertaken which showed that the outfall is, in fact, a very good outfall in terms of dispersion and there was no degradation to the aquatic life within the Darwin Harbour. Nevertheless, we are committed to closing the outfall down. As far as I am aware, the EPA do monitoring of water quality in Darwin Harbour. We certainly do monthly quality checking of all our sewerage outfalls.

Dr LIM: Mr Philip, in our discussion last year, we were concerned also about the level of solid waste, plastic bags and other things that are discharged through the system and the solids that went through. Has that been better addressed or is it still the same as assessed last year?

Mr PHILIP: I will refer that to Andrew as well.

Mr MACRIDES: Following last year's incident, Dr Lim, we obviously undertook a visual review of the pipeline itself, and what we discovered was that there were a number breaks in the pipe. We also discovered that the pipe had a build-up of residue in there that had obviously been there for a long time. So we embarked upon a program to repair the breaks. You will probably recall that there was media at that stage over a foreign object that was sitting up against the pipe itself, which proved to be a buoy. That created a break in the pipe and we have upgraded the pipe since then and fixed up all the breaks that were in the pipe itself. We scoured the pipe, cleaned it out. We then said, well, we need to make sure that macerators were actually working and that there is not solid waste coming out of it, and we actually fitted a sock over an area of the pipe to catch the waste coming out. It was a nylon sock that allowed small particles to pass through it, but any large particles would be caught in that sock itself so that we could then see whether or not the macerators were doing their job. That was in place for a couple of weeks and it captured no solid waste matter coming out of the pipe itself, so we knew that the macerators were working correctly.

We then looked at the macerators themselves and said, well look, we obviously need to subject them to a more vigorous maintenance regime, so we actually have daily visual inspections now of

the macerators themselves to make sure they are functioning accordingly, and we have put in telemetry into the system itself. There are two macerators at that particular site. One is in operation at any given time. If one falls over though, the telemetry sends a signal back to our control centre and says there is a problem on site and we can get a crew out there immediately at any time of day to fix it up. Over the next four years, before we close the Larrakeyah Outfall down, we will undertake regular visual inspections as well just to make sure there are not any further breaks in the pipe – so a lot of work has been put into it.

Dr LIM: A program is now in place to make sure that the pipe itself, the outpour is inspected?

Mr PHILIP: Correct.

Dr LIM: Well, that is fine. That is a satisfactory outcome after a bit of initial embarrassment 12 months ago or a little bit before.

Mr MACRIDES: It was a learning curve for us.

Dr LIM: It figures, obviously, everybody in the Northern Territory, particularly those living up here around Darwin, want to see a pristine harbour that is not damaged by inadvertent use.

Mr Philip, you also spoke about the undergrounding of power lines in Darwin; having completed the Nightcliff project and now you are undertaking the Rapid Creek suburb. Can you give me some time lines, and also budget considerations as to how things are going? We are all aware that, with the Nightcliff project, there was a substantial blowout in the budget. I assume that now you have an increased allocation to ensure that the Rapid Creek project is maintained within a better budget than with Nightcliff?

Mr PHILIP: I defer that one again, Dr Lim, to Andrew Macrides.

Mr MACRIDES: The commitment from government is \$3m a year, and our commitment is \$1.2m a year. So far, that has bought the completion of Nightcliff and Rapid Creek is well under way. There are approximately 700 lots in Rapid Creek, and we anticipate that they will be undergrounded by about the second quarter of 2008-09, based on existing funding at the moment and the costs per lot to service them. We then move into Millner, where there are approximately another 700 lots in Millner itself. We will start in Millner in about the first quarter of 2008-09, again based on current funding that has been provided to us. The first 250 lots of those 700 lots will be completed by about the third quarter of 2008-09.

In recognition of the increased cost structure that exists at the moment, given the state of the marketplace, government, in 2007-08, have brought forward funding to us for the two outer financial years so that, in 2007-08, we have received \$9m-worth of funding. That gives us economies of scope and scale in our purchasing arrangements. There is no doubt that the cost has increased significantly - it is across the board with major construction projects. We know that wages costs have increased, given the marketplace here, and raw materials have gone through the roof, particularly in a lot of the raw materials that we, as a utilities sector, use - cables etc.

Dr LIM: I am addressing my questions through you, Mr Chairman and, obviously, to you as well. Are you able to provide a year-by-year breakdown of, say, 100 m of undergrounding? I do not know how you measure it in unit measures to compare year-on year what it is like. Do you have those figures, and are you able to provide it, say, since the program started about three or four years ago - I cannot remember exactly now? Are you able to give those sort of comparative figures?

Mr MACRIDES: We can certainly provide that. I have to take the question on notice. However, I can tell you that our experience has been - we work it on the basis of a cost per lot. We started the project with an estimate cost per lot of about \$12 800, and the average cost per lot at the moment is around \$19 500. That is a 35% increase, which is a factor of the marketplace. We believe that costs will stabilise. We have probably seen the peaking now of a lot of the construction costs, so we do not expect a lot of movement beyond \$19 500 per lot. It may be slightly higher, obviously, given CPI. I cannot imagine another 35% increase, which is what we have experienced to date.

Dr LIM: After Millner, is that the last of the project, or are there continuing rolling projects for a substantial period of time into the future?

Mr MACRIDES: Government's commitment at this stage is Nightcliff, Rapid Creek and Millner. Beyond that is a matter for government to advise us of where to from there. The original program is a 20-year program to underground all of Darwin. I would expect the program to continue on until that is completed.

Dr LIM: Is there any expectation that you would then have the program anywhere else in Territory - especially Alice Springs, of course?

Mr MACRIDES: At this stage, the government commitment is to underground in Darwin. I am not aware of any government commitment to underground in Alice Springs.

Dr LIM: Well, now, this is political. The government did make a promise at the 2005 election, and that promise was to underground power in Alice Springs. I look forward, albeit from an outside perspective rather than inside, that the government fulfils their election promise one day, whenever that may be. Okay, so we will move away from the underground power.

I want to talk about what, in your Statement of Corporate Intent, is called Community Service Obligation. When you are speaking about undergrounding power, you also say the government contributes \$3m to Power and Water's \$1.5m. Do you classify that as a Community Service Obligation, do you classify that as a subsidy? What do you classify that as?

Mr PHILIP: It is certainly not a Community Service Obligation. Andrew can add to this. When the original cost basis was established, we worked out, to our satisfaction that, of the roughly \$4.2m spend per annum, that we would receive maintenance and other benefits in the order of \$1.2m. Our position to the government as shareholder was that you will need to find the \$3m of the \$4.2m because, on our calculation, \$1.2m is commercially justified in spending. So the \$1.2m is a fully-costed component of our ordinary spending and the \$3m is not a CSO, it is simply spent.

Dr LIM: Spent by the government?

Mr PHILIP: It is treated as a capital grant, Dr Lim, so it is outside the CSO process.

Dr LIM: Would you agree or not, I do not know if you can comment, if you cannot I am happy to accept that, undergrounding of power lines ...

Mr CHAIRMAN: Excuse me, member for Goyder, for *Hansard* purposes, I make note of the fact that the member for Goyder has been replaced on the committee by the member for Arnhem.

Dr LIM: Mr Philip, with the undergrounding of power lines in the northern suburbs, would the Power and Water Authority normally undertake that project on its own accord?

Mr PHILIP: I would say definitely not – at a cost of \$4.2m, we could not justify that cost.

Dr LIM: So it was a policy decision of government to undertake that project? So government is providing you with the money, \$3m, to pay for its political commitment? Would that not be a Community Service Obligation of a sort, and if it was not a political decision you would not have done it, and you are doing it because of the political decision of government that it be done?

Mr PHILIP: It might fall within the Community Service Obligation if we could not justify spending \$1.2m a year. If we agreed to spend it and then not get a return on it, then we would be saying to the government, in addition to you finding \$3m from the broader budget, you are going to have to find \$1.2m to include in Community Service Obligation. Governments come and go. They make promises. As a shareholder, obviously, we are bound by those promises. There comes a point where a promise does not translate into us automatically spending money. This is one of the rare points where we have had that occasionally said, 'this is our share, that is yours'.

Mr MACRIDES: If I could just add to that, Dr Lim. As a business, we treat government no different from the private sector when we do work augmentation of this nature. If a private sector business came to us and said, 'We want an electricity supply', and we say, 'Look, providing our

electricity supply to you is non-viable for us financially, we would expect you to provide a capital contribution towards the construction of that infrastructure', it is the same arrangement.

Dr LIM: It is, in fact, servicing the client, and the client makes a contribution.

Mr MACRIDES: Correct.

Dr LIM: It is not a subsidy. Is this something that you do, the government is putting these underground cables for you to supply power into the northern suburbs - this is the fee and you buy the service from us, including undergrounding the power. Is that what it is?

Mr MACRIDES: It is very much like a process whereby a developer, as I said, comes to us and says, 'I want supply'. There is a cost associated with that, and we say to that developer, 'It is going to cost you x'. We then bill the developer that X amount to pay for that augmentation. A similar arrangement exists here, other than the fact that we do not physically bill government for it, we just get it paid to us.

Dr LIM: So it is the same thing, the government is your client.

Mr MACRIDES: Correct.

Dr LIM: Let me come to an issue I raised late last year when Power and Water commissioned PricewaterhouseCoopers to look at the billing system, which caused great embarrassment for everyone. You incurred a bill from PricewaterhouseCoopers for around \$0.5m, which was paid for by the Treasury rather than by Power and Water. Why did that happen?

Mr PHILIP: You may recall, we had an audit qualification the year before and last year as well. There was a sense of unease, we had it as well, a sense of unease that our asset management and recording systems were not up to scratch. We had the billing issue, and we were certainly front and centre in the media for some time.

At a board level, we also felt undermanned in terms of having the level of accounting expertise on the board that we required. From Treasury's point of view, they wanted a higher level of accountability and confidence in our financial management systems. That was the genesis of it, and Treasury said we want to do this. We said that is fine; you are paying. What we got out of it was absolutely a terrific outcome. These things often start uncertainly, but what we got was a terrific outcome - and that was our financial models and systems, reporting and, ultimately, the next SCI document. I believe everyone has a much higher level of confidence going forward. Obviously, for a shareholder, that is essential. That is coming through with the new Statement of Corporate Intent. What we did was, we formed a committee, chaired by Bob Neill from our board, and he oversaw the drafting and preparation of the next Statement of Corporate Intent, the one that is before you. That really captures the findings and outcomes from the PricewaterhouseCoopers report.

It was timely. We have certainly ended up with a higher level of confidence in terms of our systems, and we have made a serious commitment - and you will see that in our SCI - to spend quite a bit of money on our asset management and recording system. That underpins the numbers with the Utilities Commissioner and all sorts of people, so it is essential that we get that done. It goes a long way to having the right relationship with the Auditor-General. Andrew, do you wish to add to that?

Mr MACRIDES: I agree with what Mr Philip has just said. The benefit of having an outsider come in and have a look at your way of doing things, look at your models to make sure they are producing the right answers - you at least get quality assurance, because you become jaded using these things day in, day out and having the work done on them internally. Things become a bit insular. It is always good having someone outside the organisation come in, have a look and do a quality check on things to ensure that what is being produced out of these models that we rely upon very heavily to produce demand forecasts, which then lead to fuel supply forecasts for us, which then lead to our models associated with revenue projections and expenses, it was well worth the money that was paid.

Dr LIM: I agree with you, Mr Philip and Mr Macrides, that an external audit is always a good thing. It dusts away a lot of cobwebs, whether it be health care or in any professional sphere. It is

good to have an external audit every so often. Would Power and Water on its own have commissioned that audit anyway because of the concerns that you had?

Mr PHILIP: We were well on the way to doing that. An example I will give you is that we have a biannual board review, which I initiate. We got KPMG to look at the board, the structure, the membership, the skills and the balance, and what sort of a job they thought we had done and a bit of a report card. I believe, inevitably, we were heading for – if Treasury had not commissioned PricewaterhouseCoopers we would have. The discussions we had with the Auditor-General towards the end of the financial year, which we have had in the last two years, became, not counterproductive in terms of personalities, but just the timing and our inability to say with full confidence, 'We have got the systems and the models and so on in place, that our numbers and our logic is irrefutable'. So, yes, we will continue to do that sort of thing. If we believe we need outside people to come in and tell us how to do things better, then we will get them in.

Dr LIM: So it was fortuitous that Treasury said, 'We want it too and therefore we will pay for it', otherwise you would have paid the bill.

Mr PHILIP: Exactly.

Dr LIM: So the reality is that Treasury had to say, let Power and Water do its job, get its audit, and let it do its own thing, rather than stepping in before you had decided, in your own way as a GOC, to look after your own business.

Mr PHILIP: I believe what it also says, Dr Lim, is how important Power and Water is in a budgetary context and in a Treasury context, because for them we have that timing every year. We have the Auditor-General finalising the accounts and everyone is trying to finalise a budget, so I can understand their driver to be sure that there is full confidence in the numbers in framing a budget, and that is the way it happened this time. It will not happen that way next time, I do not think. I can speak for all of my board members. We thought that the result of the exercise was terrific. We have a mixture of systems and so on within Power and Water, with financial models welded together and bits bolted on, so we really ripped up a couple of core financial models and started again. That was one of the key things they did, was to do a couple of new financial models for us, so it is always nice to have someone else pay your bills.

Dr LIM: Yes, of course. I am not trying to put words in your mouth, however, if you are the board that is running a GOC, why did you not say to Treasury, 'Look, let us do our business and then you can look at our audits, and if you do not like it after that you can do your own?' Rather than saying to Treasury, 'Okay, you pay for it and you can do your audit.' You are a GOC, you should be manning your own business. Why should you let Treasury, or anybody for that matter, step in and say, 'Look, I am going to pay for somebody to come and check you out?' Why did you not tell Treasury to ping off, do their own thing, and then, if they do not like it, then they can do something?

Mr PHILIP: Because I think it is true of almost any business, is it not? At the end of the day, it is the shareholder that owns the business. In anything I am involved in, if the shareholders come and say, 'We own this business. This is how we would like to do it', then our job is to say, 'We will help you get the best outcome that we can here'. It is not to say, 'Over our dead bodies. We are going to pay for this'. We saw merit in it, so there was no point in having a fight about something we actually agreed with. We are a GOC, it is true, but we are owned by the Northern Territory. This is an example – there will be others as we go forward where the Territory says, 'This is what we want you to do', or, 'This is what we want to do'. On occasions, those things will lead to us saying, 'No, give us a direction', and we have had only one of those occasions in Tennant Creek where we actually sought direction. Most of the times it will be, 'That is a good idea, let us get on with it'.

Dr LIM: Okay. Not to be churlish, if someone else is always paying your bills, why not let them do it, hey?

Power and Water also provides power generation to bush communities. We have tariff equalisation policy, so that every Territorian who consumes electricity pays the same unit price, from the Top End to Central Australia. The money that government provides for that tariff equalisation policy - is that a subsidy or is that a Community Service Obligation?

Mr MACRIDES: It is a Community Service Obligation.

Dr LIM: Why is that different to the power undergrounding project or any other? Why is that called CSO and the other is a subsidy?

Mr PHILIP: I will get Andrew to answer that, Dr Lim.

Mr MACRIDES: Dr Lim, the difference is that, in the case of the undergrounding project, it is a capital contribution to undertake the works and to build the infrastructure. At the end of the day, Power and Water will own that infrastructure. In the same way that the private sector developer asks for augmentation, we ask them to pay for it and the infrastructure is owned by Power and Water.

The purpose of the Community Service Obligation is to fund the difference between the real cost of delivering the service, on an ongoing basis, and what you are allowed to charge for that service. We operate in a regulated environment where tariffs are set for us. The Community Service Obligation funding we receive is designed to cover the true cost of service delivery, in a sense, versus the regulated tariff for that. Because it is a service that is ongoing, it is treated as a Community Service Obligation.

Dr LIM: So, nobody can treat that as a subsidy, is what you are saying? You cannot treat that as a subsidy?

Mr MACRIDES: It is a subsidy in effect, in that, if another competitor came into the marketplace tomorrow, and the marketplace was fully opened up to competition, and government wanted to maintain a uniform tariff policy, then that uniform tariff would be akin to what the telecommunication industry receive by way of Universal Service Obligation funding. It is a very similar arrangement. That money would be available to any retailer in the marketplace. At the moment, we are the only player in the game. The industry is not fully open to competition at this stage but we receive the subsidy.

Dr LIM: Classified as a Community Service Obligation?

Mr MACRIDES: Classified as a Community Service Obligation.

Dr LIM: In your belief, would that CSO ever be removed?

Mr PHILIP: I would be very surprised if it were removed. To remove it would pretty well see the demise of the uniform tariff system, and that would be intolerable for the smaller communities, I would have thought. That is not our decision, of course; that is a matter for the government. However, the price differential of producing and supplying services in a remote community is vastly different to the bigger centres, so I would be surprised to see the CSOs disappear.

Dr LIM: I am glad to hear that, because if the CSO for the tariff equalisation policy was removed, we would be getting a lot cheaper electricity at the moment in Alice Springs than in Darwin, because the gas comes from Alice Springs – that is the source - and Darwin would be paying a lot more. Then, when Blacktip gas comes on stream, we might be having to struggle and have to freeze in the middle of winter in Alice Springs, that would be terrible. I am glad to hear that the CSOs are going to stay indefinitely, unless something drastic happens, whatever that may be.

Let me now turn to the Dundee region. Some areas, I believe, have reticulated power and others do not. What is the policy on the Dundee region? I do not know the geography of that area as well as you guys who live up here. There is Dundee Beach, there is Dundee Downs. Are there any other Dundee regions apart from those two?

Mr PHILIP: I will start, Dr Lim, and declare an interest. I look that red because I drove back from Dundee this morning. I am most definitely not a Dundee Downs resident, I am a Dundee Beach resident. I have had a place at Dundee for seven years. I hasten to assure people that I had no involvement in the power going to Dundee. If you know many of the residents at Dundee, you will understand that I keep my head down very much when it comes to power. Before I let Andrew get on with the detail, if you go to the Dundee community, to go to that community with power, having had generators, it is fantastic, and everyone is very, very pleased to have power at Dundee.

Dr LIM: They have reticulated power at Dundee?

Mr PHILIP: They have reticulated power at Dundee, there is no question about that.

Mr MACRIDES: Again, just following up from Mr Philip's comments, Dundee electrification is no different from the undergrounding project in that it was a government policy decision. We took the same approach as with the undergrounding of Nightcliff, Rapid Creek and Millner. That was, we looked at what cost savings would arise to us if electrification went through that area and made a decision that government would need to provide us with a capital contribution to provide electrification through to Dundee, and we would commit an amount of money that we thought we would get a commercial return on, having a line out there and getting money from people in that area.

As it turned out, government's commitment was in the order of around \$3.8m. Our commitment was in the order of around \$1.35m. The power line goes all the way down to Dundee Beach and the Dundee Lodge area. That was all the funding that was provided to us. That funding did not cater for electrification to a number of areas out there, including Maritana Road, Dundee Downs, Bynoe Haven and, of course, Crab Claw Island. There are about 200 lots, of which some 96 are known to have some development on them but have not received electrification as part of this project. Since then, a number of these areas have come to Power and Water and have applied for assistance to connect under our distributed systems extension policy, which allows a group of residents to band together to come to Power and Water, and for Power and Water to say, well, look, it would cost X number of dollars to put a spur line out to where you are located, and this is what your contribution would have to be towards the cost of doing that, and this is what we would put in towards the cost of doing that.

Typically, Power and Water, under DSEP arrangements, fund around 50% of the cost of putting electrification out. So far, we have received around \$1m from residents out there that have not been included in the funding arrangement for electrification to put spur lines out to them.

Dr LIM: What is the government's commitment to provide reticulated power into Dundee for the full Dundee region, or was it specifically for Dundee Beach?

Mr MACRIDES: I am unable to answer that.

Dr LIM: I asked the question because a set amount was provided to Power and Water, and reticulated power went to Dundee Beach, but not to the other areas. I wonder why that decision was made - that there is not enough money? Maybe you should go back to government and get more so that you can do the whole region rather than doing, in medical terms, the distal end of the distribution and proximal places, the ones closer to town are missing out. It does not make sense to me. Should you not have asked government for a bit more? You were going out there and doing all that work, you should do the whole lot, not one that is furthest away and then other areas miss out.

Mr PHILIP: I might defer to Andrew on that, Dr Lim.

Mr MACRIDES: Obviously, we are not able to speculate about what government's policy intention was in relation to this particular project. I can speculate that, if you have been out to the Dundee area, and my Chairman is a resident there periodically and knows the Dundee area, and that is that you have large population clumps, and those population clumps are easy to service. Again, you have economies of scope and scale to do that. Then you have many lots that run off at varying points along the way where there is nothing for several miles down the road but one. I suspect that is the dilemma the government may face in providing funding out to Dundee. It is, do you spend another \$3m or \$4m on putting a line down this road here for two customers only when you can spend that million dollars elsewhere and provide services to a greater range of people?

Ms McCARTHY: A point of order, Mr Chairman! Perhaps the questions from the member for Greatorex would be better served towards the Minister for Essential Services considering that they are questions that are relevant surely for the minister.

Dr LIM: Speaking to the point of order, Power and Water Corporation is a government-owned cooperation. It does its own work and it provided power lines and power reticulation to the Dundee area. I want to know why it skipped places, and they have given me the explanation, which is fine.

Ms McCARTHY: It is a point of policy, Mr Chairman, which is a government responsibility.

Mr CHAIRMAN: Perhaps the way to deal with this matter is to reinforce for the Chairman not to be shy in simply stating that that is a matter for government and outside the board's interest, for want of a better word. If that is something you feel you need to say, please do so and that will be supported through the Chair.

Mr PHILIP: Thank you, Mr Chairman.

Dr LIM: Mr Philip, we also spoke about the matter of the shire reform policy that is proceeding at the moment. What scoping has Power and Water done to look at power and water supply into the shires? Have you any ideas or plans on how Power and Water will implement a program that would enable shires to provide power to communities?

Mr PHILIP: I will defer to the Managing Director on that. At our board meeting in May, this issue was discussed about the possible impact on Power and Water Corporation. There is definitely considerable amount of thought and planning going into it, however, perhaps Andrew has something to add.

Mr MACRIDES: It is still very much early stages for us in working out our thinking on service delivery to these new shire arrangements. The greatest impact it will have on us is in indigenous communities. Our service delivery model for the 70-plus indigenous communities that we currently service generally revolves around us having in place an essential services officers employed by the local government entity within that region to maintain the essential services with, obviously, input from Power and Water. We have a range of contractors that provide specialised services.

The shire arrangements have a central service area that is then responsible for service delivery to a number of outlying areas. At this stage, we are still working on what the new delivery model might be that will be effective for us as well as effective for the communities in these new shire arrangements. Essential service delivery is an option that the shires have. It is not one of the mandated services. I am sure that some of the shires will be interested in continuing with a similar arrangement as we have now with the ESO concept. Others may not, and it may not work for them.

Dr LIM: Let us take, for instance, the current situation as a starting point. A community in East Arnhem, run by its own community government council or incorporated association, has power generated that provides electricity into the community. Who is responsible for that?

Mr MACRIDES: Power and Water is responsible for it. Power and Water, through our Indigenous Essential Services subsidiary company, is responsible for the provision of essential services in those communities.

Dr LIM: So Power and Water provides the infrastructure, such as the generators, the sheds, fuel reservoir and grid to reticulate the power? Am I right in that?

Mr MACRIDES: That is correct.

Dr LIM: Who provides the maintenance?

Mr MACRIDES: We do both, Dr Lim. We are a service provider to government for this service. Government fund us to provide this service to these communities on a fee for service basis, we do it on a not-for-profit arrangement. So we get two funding sources from them. We get a funding source associated with the infrastructure augmentation out there, which is a capital grant to us, and we then get recurrent funding to maintain the infrastructure in those communities. That is netted off by the revenue that we collect in those communities.

Dr LIM: And so the ESO, or individuals in those communities providing the hands on maintenance, for instance, are they on the Power and Water payroll?

Mr MACRIDES: No, the way that the ESO service is operated is that we fund the local government entity to employ the ESO. We provide the ESO with training and support arrangements. However, from our perspective, it is better to have a community person who is familiar with the community operating the essential services in that community, but having us there as their advisors, also having the Power and Water fleet of expertise behind them in doing that.

Dr LIM: So you are the expert body supporting community council employees who work in the role of essential services officer, so the body in charge of payroll for that person is the council.

Mr PHILIP: It is worth putting on the record, that it is a little known fact that we actually do fund, via the councils, many ESOs, many, if not, most of who are Indigenous. You will hear the occasional criticism of Power and Water not having high enough levels in terms of Indigenous employment. This is a big program, and a very important program, and we provide the funding, the councils the employees. I cannot answer what the shape of that would look like as the new councils are formed, but surely those tasks will continue as need to be done, and I suspect you will find a number of ESOs finding their way into the new councils.

Ms McCARTHY: Through the Chair, could I also suggest to the member for Greatorex that, because that program, which is certainly a fantastic program in the communities with the ESOs, that it is through the Local Government minister's department with regards to the future planning of it and it might be worth further consultations in that area as well.

Dr LIM: Suggest to me to do what? What are you suggesting to me?

Ms McCARTHY: If you would like to find out more about it.

Dr LIM: I will find out from Power and Water, which has the responsibility to generate the power, but that is fine.

Ms McCARTHY: But you are asking about the shires as well.

Dr LIM: Well, of course I am.

Mr MACRIDES: If you are asking about the structure of the shires ...

Dr LIM: Listen to my questions.

Mr CHAIRMAN: Member for Greatorex.

Dr LIM: I was having a pleasant chat here until I got interrupted. I am sorry about that, I apologise.

Mr CHAIRMAN: Order, member for Greatorex, do not cut me off!

Dr LIM: Does your discussion ...

Mr CHAIRMAN: Member for Greatorex, be quiet please!

Dr LIM: Before I depart here ...

Mr CHAIRMAN: Be quiet, please, member for Greatorex. It did not need to get to that.

Dr LIM: What? I did not start it.

Mr CHAIRMAN: Excuse me, member for Greatorex, I have not interrupted you, I have allowed you to speak. A suggestion was made, you responded to it. I have come in as the Chair, you have cut me off. So accord me the same courtesy I accord you. The member for Arnhem has a point and I was simply going to say if your questions are directed towards the make-up of the shires, then it is correct, that would be better put to the minister for Local Government. I understand that questions can go towards what is currently happening with the power provision, and they are questions rightly asked here in this forum of the Chairman today. That is all I was going to say. But you wanted to blow up and you just lost your time for asking questions because

you wanted to talk over me. So, having said what I wanted to, please continue, but just bear that in mind, thank you.

Dr LIM: Mr Philips, let us go back to our pleasant chat, I do not need wet behind the ears ...

Mr CHAIRMAN: Excuse me, member for Greatorex! I would ask you to withdraw that.

Dr LIM: What? Wet behind the ears?

Mr CHAIRMAN: You are reflecting on the conduct of the Chair, and that is a very serious matter. I ask you to withdraw that.

Dr LIM: I withdraw 'wet behind the ears'. Let us get on with our pleasant chat.

Mr CHAIRMAN: Thank you very much.

Mrs BRAHAM: Mr Chairman, can I make a comment? Member for Greatorex, will you be finishing in time to allow me to ask some questions? You know we only have two hours.

Dr LIM: How much time do you want? How much time do you need?

Mrs BRAHAM: Twenty minutes.

Dr LIM: All right, I will keep that in mind, thank you.

Mrs BRAHAM: Thank you.

Dr LIM: Mr Philip, how many people working as essential services officers does Power and Water provide funding for?

Mr PHILIP: I defer that to Andrew Macrides.

Mr MACRIDES: At the moment, it is around 78.

Dr LIM: Is that equal to one ESO per community, just about?

Mr MACRIDES: Generally one per community, although some of the larger communities do have two.

Dr LIM: When the shire councils are finalised, does the Power and Water Corporation intend to retain the same numbers of ESOs within the shires to service the many communities that they will incorporate?

Mr PHILIP: I cannot answer that question. Mr Macrides.

Mr MACRIDES: It is a difficult question to answer until the final make-up of the shire arrangements are in place. As I said, we are still working on what we think our service delivery model might be to these shires. It depends very much on each shire deciding whether it wants to be involved in the provision of essential service delivery, or whether it is going to leave that entirely in Power and Water's hands.

Dr LIM: My query of Power and Water is that, within the shires, if you were to have a central pool of ESOs, employed by, or paid for by Power and Water, do you feel that your ESOs would be travelling around the shires to service your capital infrastructure, or do you believe they will all be resident in those areas so that they can maintain the infrastructure? How do you propose to do that?

Mr MACRIDES: Again, we have not finalised the model. Clearly, the model that we operate under now is an effective model, that is, having the ESOs based in the communities. Our discussions with the local government reform team have indicated that that is an effective model. As I said, the issue will be, each of these shires will have a choice whether they want to be involved in essential services delivery or not. So, a model that might work for one may not work for others. From our perspective, we need to be flexible in our approach, with the overriding

consideration being that we do not compromise the essential services delivery in any of these communities that we are responsible for.

Dr LIM: And not wanting to compromise any of the essential services functions by Power and Water, I would suggest that Power and Water is not likely to have any less cost in providing support for power and water supply in the bush. Would that be the correct assumption to make?

Mr MACRIDES: That may be a reasonable assumption to make.

Dr LIM: Essentially, the number of ESOs will still be based out in the bush. Okay. Although you do not fund them directly, you are indirectly funded back. That helps a lot.

Can we go back to the issue that I raised last year about Yuelamu. Water was being carted there by the truckload because of the lack of water supply. I understand that, with the recent rains over the last few months, the catchment of the dams have some water in them. Can you tell me what has happened there since last year?

Mr PHILIP: I will need to defer that, Dr Lim.

Mr MACRIDES: I need to take that question on notice, Dr Lim. I am familiar with the fact that we were flying bottled water to that community. I know that there was work being done on restoration of the dam there. I am not sure where that work has reached, and whether the community now has its own potable water supply. I suspect that we might still be providing bottled water.

Dr LIM: Before I put the question on notice, I am advised, because I do not visit that area, that, as the contractor was working, he was trying to get his Caterpillar out of a bog because the water was flowing across the runway at the airstrip as well into the dam. So things are in hand, I believe that the dam is filling, or was filling quite rapidly when I was talking to people in that area not so long ago. If I may put the question on notice, Mr Chairman?

Question on Notice 11.1

Mr CHAIRMAN: Certainly, member for Greatorex. If you could restate the question for *Hansard*, please?

Dr LIM: My question on notice to Power and Water Corporation is for Power and Water Corporation to provide me with information and costings on the provision of water to Yuelamu, and whether the water is still being provided in bottled water form or is now being supplied from the catchment for that community?

Mr CHAIRMAN: Mr Chairman, are you happy to take that on notice?

Mr PHILIP: I am indeed, yes.

Mr CHAIRMAN: For the purposes of *Hansard*, I allocate that Question No 11.1. I suggest you note that number then it makes it easier for the committee secretary to chase up what the answer relates to.

Dr LIM: I am doing things up at the Top End first, and then I will eventually, slowly work down to Alice Springs. Yuelamu is not that far away.

Gas Supplies: Mr Philip, you mentioned that Blacktip gas is likely to come on stream by 2009 and that, in fact, an agreement has already been reached between ENI and indigenous interests to allow the pipeline to be constructed. Am I right in that summary?

Mr PHILIP: Yes. There are two elements to it, Dr Lim. ENI have received approval for the onshore treatment facilities at Wadeye. The discussions that I referred to, particularly in my opening speech, related to the pipeline corridor. In that arrangement, Power and Water has contracted Australian Pipeline Trust (APT) to deliver that pipeline on which we will pay a tariff. So it is to those discussions that I referred when I said indigenous approval had been obtained, and

that was at a Northern Land Council meeting that Andrew attended in Gove in May of this year. I know there has been some recent press about a particular native titleholder with the Kamu people, but those are matters that are being handled by the Northern Land Council, and we expect that there will be a resolution of that matter. At the end of the day, our requirement is certainty for the pipeline corridor, and we are confident we will have that in time for first gas to be delivered in early 2009.

Dr LIM: Okay. So until 1 January 2009, you do not need gas from Blacktip?

Mr PHILIP: No.

Dr LIM: Is there any likelihood of the Wadeye/Darwin APT pipeline connecting into the Alice Springs to Darwin pipeline and into Nhulunbuy as well?

Mr PHILIP: We are not privy to those discussions, but we understand ENI certainly are looking with other parties at how they could revive the TransTerritory Pipeline, as it was called, to take the gas across to Alcan. From our point of view, the fundamental requirement is that the gas we have agreed to buy is there when we want to buy it. We are more than happy to do what we can to facilitate and encourage the Alcan pipeline, subject to our gas supply being assured and us being able to take gas in the volumes we have contracted to take it.

Dr LIM: There is no added value for Power and Water to buy more than it can use and, secondly, sell it to other consumers including other gas-related industry?

Mr PHILIP: There are a couple of elements. Firstly, we would never be in the business of buying gas to speculate and sell to third parties. I think Woodside showed, when their pipeline fell over, that is a pretty dangerous business to be in. But what we did do as part of the gas arrangements was, we bought what we described as a wedge of gas, which is 120 petajoules of gas, which forms part of our core contractual component, remembering that this is a 25 year gas contract and that gas is very competitively priced. Our task, and we are working on it now, is to see how we can use that gas to sell to third parties, and to use some of the price differential to offset the cost of the gas that we are paying under the main contract. At the end of the day, we would not be out there buying tranches of gas to sell to third parties that may or may not come on.

Dr LIM: Just explain for me, assuming that gas comes through Wadeye to supply Darwin, and I assume to go down the same pipeline back down to Alice Springs, does PAWA then pay for power, then just pay for the gas that is consumed in Alice Springs to run the generators only, it does not pay for the pipeline, to use the pipeline and all that?

Mr PHILIP: There will be a contractual arrangement where the then advertised costs of the pipeline at the starting point, let us say it is 2009, where that will become the cost base for the new pipeline. We may own it, someone else may own it, probably we will not own it because we are not pipeliners, and they will charge us a tariff based on that new cost base, which is really the written down cost of the pipeline since it was first constructed in 1985. So there will be a tariff charged for that gas going to Alice Springs.

Dr LIM: So you are, in effect, buying the unit cost of the gas only, including all the tariffs and all that is hooked into it?

Mr PHILIP: Our contract with ENI is to buy gas at a unit cost. In addition, we will be paying a tariff to the Australian Pipeline Trust to transport that gas.

Dr LIM: Perhaps I delivered my question very poorly, because I do not understand it myself. Suppose a company decides to open a factory in Alice Springs, and normally this would require electricity to run the factory, but indeed it wants to use gas as part of its product to create other products from that. Does the developer buy electricity only from you, and then buys the gas off, say, ENI?

Mr PHILIP: At the moment, they would be buying electricity only. The gas would be problematical because, at the moment, we have contracted to buy the gas from ENI. I believe Alice Springs actually will have an abundance of riches when it comes to gas, because remember that what is happening is that are we needing to get this new gas contract because the fields in Central Australia are declining and they will not be able to meet our full requirement. That said,

come 2011, I believe, are the last of our contracts out of Central Australia, there is going to be a wedge or lump of gas in Central Australia very close to Alice Springs with some fairly hungry owners looking for buyers of that gas. So I believe Alice Springs has a marvellous opportunity to take gas into industry in Alice Springs, it will have post 2009.

Dr LIM: Good to hear. That was my interest in exploration, because I understand it was enough to ask the question in a sensible way. Let us now come to alternate energy. Let us stay with gas now. What plans does Power and Water have, or what exploration is it doing in terms of alternate energy other than just gas or electricity?

Mr PHILIP: I will defer to Andrew on that.

Mr MACRIDES: Our principal source of alternate energy at this stage has been photovoltaic. We have put in a number of solar dishes and photovoltaic arrays in a number of indigenous communities, as well as Kings Canyon. They are being used for diesel lopping purposes in these communities. The principal source of energy is diesel-fired generators and the photovoltaic allows us to reduce the dependence upon diesel by the amount of solar energy that is available through the system during the course of the day.

We have also looked at wind and have gone out to the marketplace recently with an expression of interest for the provision of wind energy in the Barkly region. Unfortunately, the Barkly region is probably the only area where wind is viable for us, even then it is obviously problematic because of the load into Tennant Creek itself.

The other area that we have been involved in in relation to renewable energy has been trialling biodiesel in one of our generators. The Newcastle Waters Power Station was trialling biodiesel last year. We are in the process of analysing the results of that trial as we speak, with a view to see whether or not biodiesel is an efficient form of fuel supply in generators. You probably also know that we have a methane gas-fired power station at the dump here, and that methane power station provides a megawatt of energy, which is quite significant.

Mr PHILIP: I will add to that. Whilst not strictly alternative energy, we are developing a program to look at how we replace diesel consumption in remote communities, particularly Aboriginal communities, with compressed natural gas and other compressed gas. That is looking very encouraging and would have enormous cost savings. It is certainly more efficient and less harmful to the environment. So, coupled with the solar activity we have now in those four Aboriginal communities that Andrew mentioned, it is another facet to what we are looking at.

Dr LIM: Are you responsible for power generation at Yulara?

Mr MACRIDES: We are.

Dr LIM: So the natural gas that is supplied to Yulara is on contract to Power and Water?

Mr MACRIDES: It is.

Dr LIM: And that is working well, do you think?

Mr PHILIP: It is starting to work well. We had a lot of problems with the old contract. It was an LNG supplier that led us to call for the new contract, so we are seeing that new contract bedded down and the CNG deliveries starting to work, as they should and as we hoped.

Dr LIM: With the solar photovoltaic augmentation of power generation in the communities, do you have a target you are trying to reach of 30% or 50% of diesel cost reduction? Do you have a target for that?

Mr MACRIDES: We have been careful not to set targets because the technology is expensive. What makes it viable for us is a range of federal government grants and subsidies. We have, as I said, put a number of these systems into a number of communities that worked effectively for us, and we do have a shopping list for other communities where the diesel consumption and the energy usage may make it viable for us to put solar into those areas, again, of diesel lopping. We have a long shopping list of communities. By way of example, they include places like Ali Curung, Kalkarindji, Ti Tree, Timber Creek, Borroloola, Ngukurr and Roper Bar. We are assessing each of

those at the moment to see whether or not it may be cost effective to put a dish concentrator into those communities.

Dr LIM: I am obviously aware of the one at Hermannsburg. Having discussed it with the people at Hermannsburg, it is a very much welcome facility, reducing diesel consumption by nearly a third.

Mr MACRIDES: Yes, 28%.

Dr LIM: That is not bad. You then have a list of some six others. Is Santa Teresa the only one that currently has a working model?

Mr MACRIDES: No, far from it. We have systems in Kings Canyon, which provides 225 kW of peak energy. We have a system in Bulman, which provides 55 kW. Hermannsburg, you have just mentioned, provides 130 kW. Yuendumu provides 180 kW, and Lajamanu provides 220 kW. The good thing about these is the offset in CO₂ emissions. Between those five locations, the estimate of CO₂ emission savings are in the order of 4408 tonnes per annum.

Mr CHAIRMAN: Excuse me, Dr Lim, sorry. For the purposes of *Hansard*, I note that the member for Goyder has replaced the member for Arnhem on the committee. Thank you, Dr Lim.

Dr LIM: Mr Philip, I have two more issues, recognising that I would like to reserve 20 minutes for the member for Brainting who has requested it. One is on the Solar City status for Alice Springs. I would like you to detail what Power and Water's involvement is, apart from being one of the funding bodies? How involved are you in the Solar Cities planning for what is going to happen in Alice Springs?

Mr PHILIP: I will refer that to Andrew, if I could, please.

Mr MACRIDES: Dr Lim, we believe Solar Cities is a great outcome. We have been heavily involved in the lead-up to the bidding process and were overjoyed when Alice Springs was given Solar City status. Our commitment will not end with Alice Springs receiving Solar City status. As the chairman has indicated, there are a number of activities that we will be involved in on an ongoing basis now that Alice Springs has been chosen as a Solar City location. They include smart metering trials, modelling to determine cost-reflective tariffs, and looking at revised photovoltaic buy-back rates for people who might put PV into their homes and sell it back into the grid. We are also assisting with the development of the solar farm that was mooted as part of this project itself, and we are also assisting the Desert Smart Living Centre, which is the advisory centre that will be set up to advise residents on how they can go about saving on energy and working with Solar Cities.

Our commitment ongoing will be quite significant; probably \$100 000 in smart metering, and in the order of around \$230 000 a year for the advisory-type service arrangements. We are quite excited by this program and look forward to it as it proceeds.

Dr LIM: While I support Solar Cities and what it tries to do, I am a bit cynical about individual home solar energy harvesting and converting into household consumption and all that. I believe the bigger thing may be a solar farm. That is where the significant investment and benefits will come from for the individual. A small solar house is going to end up being fairly costly. Well, not cost prohibitive, it would be quite costly and the benefits may not be there. Is there any thought of how large a solar farm would be, or what sort of capacity would it have to offset power generation from Power and Water facilities?

Mr MACRIDES: I do not believe we have arrived at a number on that yet. It is very much in the formative stages. It would depend upon how the farm is set up and what areas are serviced from the farm itself. If, for example, it is set up at the Desert Knowledge Precinct, then the principal user of it would be the Desert Knowledge Precinct itself. There may be an opportunity then for energy to be pumped back into the grid. All that will develop over time.

Dr LIM: So we are not envisaging acreage of harvesters; we are talking about small acreage, such as in Hermannsburg?

Mr MACRIDES: Again, it depends on the technology that is employed. Whether it is a flat plate technology, which is the common issue you are referring to - big arrays of solar plates that stretch for miles - or whether it is a concentrated dish technology that we have in Hermannsburg.

Dr LIM: I do not expect to dwell too much time on the Ron Goodin Station and the shift to Brewer Estate. There has been a lot of information passed and handed down for some time. If you have any information that you are prepared to table, I would seek that to save you from talking about it, because your media release of recent months pretty well set out the time lines. While I said myself that I am a bit cynical that you could achieve that time line, do you have any information you want to table, if that makes it easier?

Mr MACRIDES: That information in that media release is the current information. Our commitment is that we will provide a monthly update to the residents of the area. We will go out again in the first week of July with an update on where things are at. What I have here is the media release, basically, so there is not a lot of progress that I can offer.

Dr LIM: Will this be done with the residents, at least to provide support, not face-to-face counselling, but I am talking about providing information and support so that their expectations are at least realised to some degree, and they are not going to be faced with all this angst for another 18 months or so?

Mr MACRIDES: Certainly, as I have said, we have made a commitment that we will provide the maximum amount of information we possibly can to the residents. That includes a monthly update on where we are at with the project itself. Obviously, individual residents would continue to make contact with Power and Water if they want more information on where things are at, we would not discourage people from doing that.

Dr LIM: Finally, I have deliberately kept only a few minutes for the audit, the Auditor-General's report. The Auditor-General's report raises some significant concerns. Whilst there is a response from Power and Water to the Auditor-General's report, can you address those dot points at the end, on pages 83 and 84 of the Auditor-General's report, where he questions the veracity of economic or financial data that Power and Water has - how do you respond to that?

Mr PHILIP: I will refer that to Andrew.

Mr MACRIDES: I do not have a copy of the report in front of me, Dr Lim, but I do recall a number of the elements that are contained in the report. I guess there are two things the Auditor-General highlights. One is a difference of opinion that Power and Water had in relation to the application of this particular impairment standard that the Chairman referred to in his opening statement. The other element then is a series of issues that came up during the course of the audit itself. The one thing that we would ask people to be mindful of is that Power and Water is a very big business. We have turnover value of \$500m a year, there are literally millions of transactions that flow through our records during the course of the year.

I would be grossly concerned as the Managing Director of Power and Water if there were allegations of fraud, if there were allegations of corruption within the organisation, mismanagement of our finances. The purpose of audits, generally, are to, one, provide comfort that the financial statements present a true and accurate representation of the financial position of an organisation; and also to provide the organisation with areas in which it can improve. Everything in that report are areas for improvement.

Setting aside the impairment issue, none of those issues would have been an area where the auditor would have qualified our accounts on the basis of saying, 'I do not believe these accounts are a true and accurate representation of the financial position of Power and Water'. They are the normal array of issues that arise in a complex business like this with the volume of transactions that we have flowing through our books.

Having said that though, can we do better? Absolutely. We are committed to implementing all the recommendations that have come out of the audit and we will continue to do that.

Dr LIM: And we can be reassured by yourselves, for instance, that the inventories and stocktakes - I mean it went out by over \$1.74m; that is a significant adjustment. That is all I can say. Sure, you have a big budget, but still, a significant inventory discrepancy.

Mr MACRIDES: It is a significant inventory discrepancy if you were talking about an inventory of \$2m or \$3m, but when you are talking about an inventory of tens of millions, then you run into threshold issues about what is significant and not significant. Having said that though, I mean \$1m is a \$1m, and we want to ensure that we have systems and processes in place to accurately record our inventory.

Dr LIM: I read recently, Mr Philips, that you are using DataDot technology to identify all inventory?

Mr PHILIP: We are.

Dr LIM: Very, very smart move. Very good. Finally, the delay in approximately five years billing a major customer, has that been fixed?

Mr MACRIDES: It has, indeed, and that customer has paid.

Dr LIM: Well done. I will hand over to the member for Braitling.

Answer to Question

Mr MACRIDES: Sorry, before we move off Dr Lim, if I could respond to the question about Mt Allan? The dam is approximately 90% full. We are still importing containerised drinking water, potable drinking water, because there is an issue with water quality from the dam. We are currently restating a filtration plant, which was on site there, an old ATSIC asset, which will obviously allow us to run ultraviolet treatment of the water and reinstate potable water supply to that community.

Dr LIM: So it is the filtration and sterilising of the water that is the issue at the moment?

Mr MACRIDES: I would say that, because the dam is relatively new, recently constructed and has only recently been filled, it needs time to bed down and settle.

Mr CHAIRMAN: Mr Macrides, was that the answer to 11.1?

Mr MACRIDES: It was, indeed, Mr Chairman.

Mr CHAIRMAN: Thank you very much. Member for Braitling.

Mrs BRAHAM: If I recall, Yuelamu must be about the only community in Central Australia that relies on a dam for their water supply?

Mr MACRIDES: Possibly.

Mrs BRAHAM: Perhaps you should move the community rather than try to fix it. Forgive me if I go over things that have already been said. Wind turbines in the Barkly, is that likely to go ahead or not?

Mr MACRIDES: It is out for expressions of interest at the moment. We are basically reviewing the expressions that have come back to us. Will it go ahead? It depends really on the cost structure.

Mrs BRAHAM: There is no other area in the Territory that you are looking at – perhaps on the coastline?

Mr MACRIDES: No. Barkly is the only area where we have sufficient wind data to make a wind turbine viable.

Mrs BRAHAM: In your annual report, you say that, in the Northern Territory, major power stations in Darwin, Alice Springs, Katherine and Tennant Creek use natural gas. It was always my

understanding that power generation in Alice Springs was diesel power. That is why we had all the problems with the Titan.

Mr PHILIP: No, we use natural gas in Alice Springs. Unfortunately, we use diesel occasionally when the demand requires it or we have machines down, but it is a gas-fired power station.

Mrs BRAHAM: Is that Palm Valley gas?

Mr PHILIP: That is Palm Valley and Mereenie gas.

Mrs BRAHAM: And Mereenie gas is on its last legs?

Mr PHILIP: Indeed.

Mrs BRAHAM: And Palm Valley has how many years, do you think?

Mr PHILIP: It is even further on its last legs.

Mrs BRAHAM: Is it? Okay. The private power station at Brewer Estate uses gas also?

Mr PHILIP: Yes.

Mrs BRAHAM: You purchase power from that?

Mr PHILIP: Correct.

Mrs BRAHAM: What percentage, if you can do it in percentages of the power, or is it top-up?

Mr MACRIDES: It is a very small percentage. When the power station is operating effectively, it is generally used as base load. The power station output is in the order of around 8mW.

Mrs BRAHAM: So it is a fairly minimal pull?

Mr MACRIDES: It is important in the overall mix of available plant capacity in Alice Springs. When the power station is off-line, it does create some concerns for us.

Mrs BRAHAM: Is it envisaged that Ron Goodin Power Station will remain there and still have some operational generators?

Mr PHILIP: Yes.

Mr MACRIDES: Yes, Ron Goodin has probably another 15 to 20 years worth of life in it.

Mrs BRAHAM: So the power you are going to generate out in Brewer Estate, will any of that be coming into town? Will you have to establish new feeder lines, because I believe the ones coming through the Gap are not large enough, or whatever the term is?

Mr PHILIP: There will be new lines and it is all coming into town. The other element is that we, as a board, resolved that there would be no generation plant installed at Ron Goodin, so you will see a progressive move of plant out to the new power station.

Mrs BRAHAM: And the Titan will go as well?

Mr PHILIP: Absolutely.

Mrs BRAHAM: That is good. There is a trend for people to get their own power from solar, people are generating it and actually passing it back on to the grid. At the moment, I believe there is a federal government subsidy to help them with the set up. Is there any intent for you to offer a top-up subsidy to people? No? I am getting the heads, say no for Hansard. And the amount that you actually buy back, is that the equivalent of what you charge households?

Mr MACRIDES: That is correct.

Mrs BRAHAM: For the power that you generate yourself?

Mr MACRIDES: The buy back rate is the same rate we charge a household, the statutory rate.

Mrs BRAHAM: Will that increase as the power has increased with CPI?

Mr MACRIDES: That is right. So, when power goes up by 4.4%, the buy back rate will go up by 4.4%.

Mrs BRAHAM: So there is no incentive for people, really, to generate their own power if they cannot get a subsidy from you, or you do not purchase back, perhaps with a bonus or something?

Mr MACRIDES: Which is why one of the areas we are looking at as part of the Solar Cities arrangement is the buy back rate and the incentive associated with that buy back rate.

Mrs BRAHAM: In what way?

Mr MACRIDES: We recognise that the installation of PV panels on a person's rooftop is extremely expensive, even with the federal government subsidy for the provision of those panels, and perhaps the buy back rate may have to increase to encourage people to take up the option of putting PV on to their roofs. Looking at that, we would then look at the amount of money that it saves us in generating the electricity provision.

Mrs BRAHAM: Would you also be lobbying the federal government to increase that subsidy, because I know there are a lot of people who are quite interested in doing it, but it is the initial outlay that puts people off?

Mr MACRIDES: We are a power company; we are not a lobby firm.

Mrs BRAHAM: Okay, I will leave it to the minister. At the moment, in your CSOs, you also provide a subsidy to pensioners.

Mr MACRIDES: That is correct.

Mrs BRAHAM: Can you give me any idea of how much extra that costs Power and Water, the rate of subsidy, if you intend to continue it and if you intend to increase it?

Mr MACRIDES: We actually do not provide a subsidy. It is part of the Pensioner Concession Scheme that is administrated by the Department of Health and Community Services.

Mrs BRAHAM: So it is part of CSO, is it?

Mr MACRIDES: That is right. We get a CSO from Territory Health as part of the pensioner concession arrangements that are in place that are administrated through them. The CSOs that we get reflect the pensioner concession arrangement, and if you bear with me for a few minutes, I can give the exact amount.

Mrs BRAHAM: I will go on while you are doing that, because time is slipping me by. We go to the water supply in Alice Springs. Roe Creek - the level is dropping so will you be seeking a new source, I believe, is it Rocky Hill?

Mr MACRIDES: You have got me there.

Mr PUDNEY: John Pudney, Manager, Water Engineering. Rocky Hill is a long term option. In regard to the groundwater resources in the Alice area, Power and Water is currently augmenting water supply still within the Roe Creek area, so we do have plans for a few more bores and rehabilitation of existing bores. The supply at the moment is not running out but it is getting deeper and deeper, and more expensive to expand it.

Mrs BRAHAM: So the cost of pumping it up is increasing and, at the moment, the cost of water across the Territory is the same?

Mr MACRIDES: Yes, it is a uniform tariff.

Mrs BRAHAM: Is there any intention to look at that review of the difference it must be at producing that water?

Mr MACRIDES: At the moment, part of the CSO that we get is a uniform tariff CSO for electricity, water and sewerage. The vast component of the CSO is electricity, where the government provides us with a commercial rate of return. With respect to water and sewerage, what it does is, it accepts a lower rate of return on its asset base rather than fund us with CSO funding for it. It is hard to envisage that the uniform tariff for water is likely to change. Government has basically said ...

Mrs BRAHAM: That is government policy.

Mr MACRIDES: Yes. We have accepted a longer rate of return because, you know, you are a monopoly provider and we are not going to open that up to competition.

Mrs BRAHAM: So, the Roe Creek borefield, you are not moving that operation within the foreseeable future?

Mr MACRIDES: No. It is a key component of the provision of water in Alice Springs.

Mrs BRAHAM: Have you considered putting water tanks into, I suppose it will be government policy, into remote communities or subsidising them in townhouses?

Mr MACRIDES: Again, that would be a government policy issue.

Mrs BRAHAM: Would you support that sort of initiative?

Mr MACRIDES: There are a range of issues associated with public health, and they would be considered before we would be prepared to make a statement one way or the other.

Mrs BRAHAM: How did all those pioneers survive on water tanks in the bush? I do not think they considered public health. Sorry, I just find that argument about these water tanks in the bush being polluted with bird poo and everything a bit crazy. If you are a country kid, you know what I mean.

Mr MACRIDES: I think the bar has been lifted.

Mrs BRAHAM: Is it necessary for water restrictions to be placed in somewhere like Alice Springs over the summer season, when it is so hot and the water supply goes up, and often we run out as we did last year? He is looking at me like that. Do you recall?

Mr MACRIDES: The problem there was not an issue of availability of water, it was an issue associated with the pumping arrangements for a water tank. It had nothing to do with the physical availability of water. The problem we had was that there was a failure of a system to deliver water. It is hard to imagine that we would get into a restriction policy without first spending considerable time on education, doing something about demand management, and continuing to raise the issue about demand management. It is interesting that Alice Springs has wholeheartedly embraced demand management, and water usage in Alice Springs has basically stabilised, where at Darwin it continues continue to grow.

Mrs BRAHAM: There is a lot of goodwill, and a lot of people in Alice, I believe, who would get behind it. I do not believe there would be a lot of objections to having sensible restrictions. You do not do the \$50 subsidy that the government gives for water saving devices?

Mr MACRIDES: No, that is government.

Mrs BRAHAM: That is with another minister. Okay, that is fair enough.

Mr MACRIDES: Sorry, Mrs Braham, I have a response on the pensioner concession number.

Mrs BRAHAM: Yes.

Mr MACRIDES: It is a concession for electricity, water and sewerage. In 2007-08, it is budgeted to be around \$4.3m.

Mrs BRAHAM: That is quite considerable really, when you think about it, is it not?

Mr MACRIDES: Yes.

Mrs BRAHAM: This question is on behalf of the member for Nelson. When do you expect construction of the Weddell power house to start?

Mr MACRIDES: It has physically started.

Mrs BRAHAM: It has started. Does the power house require planning approval, he has here. I presume this is correct. So, if it has started, you have had approval for ...

Mr MACRIDES: Yes, it requires all the normal approval processes - environmental approval, sacred site clearances, and all ...

Mrs BRAHAM: That has all gone through, or not?

Mr MACRIDES: All that has been through the process, work has started and we are on track for power to be supplied out of that station by the end of this calendar year.

Mrs BRAHAM: All right, he will be pleased to know that. I do not know what spaghetti lines are. Private water lines. Will Power and Water spend a set amount of money per year replacing these private water lines with a proper water main? You probably understand what that means.

Mr MACRIDES: The member for Nelson raises this issue each year. We have a major problem in that, if we were to commit to funding this arrangement, the average cost of replacing a banjo line/spaghetti line to lots out there is in the order of about \$10 000 per lot. It is just not commercial for us to do it, so we do not have any plans to replace them.

Mrs BRAHAM: No for that. Do you intend to meter bores - I am thinking now perhaps in the Alice Springs region - to realise how much people are taking out of the ground, and to charge accordingly?

Mr PHILIP: From the study investigation or ...

Mrs BRAHAM: No, for future ...

Mr MACRIDES: It is not our responsibility, we are not the regulator. We are a licensed extractor. The Controller of Water Resources, which is part of the Department of Natural Resources, Environment and The Arts is responsible for regulating water usage.

Mrs BRAHAM: How much water do you pump per year from the bores in the Darwin rural area? Can you give the figures over the last five years? Why do you need to increase the amount of water pumped in the new financial year? This is obviously one he has asked before too.

Mr MACRIDES: It is, and I cannot respond to the data over the last five years. I would have to take that question on notice, although I can hazard to guess what it might be. We have six bores out at the McMinns/Howard East borefields. We are licensed to extract 8420 mL a year, we average 3000 megalitres a year, so less than a third of our licensed extraction comes out of that borefield.

Recent studies there have shown that Power and Water is responsible for extracting 15% of that borefield, 25% is extracted from rural bores, and another 60% for horticulturalists. We are a very small user of water from that borefield. It was always envisaged that there would be a four stage development over the next 20 years of that borefield. The reason the borefield is important to us is that it provides us with diversity of supply. At the moment, all our eggs are in one basket, Darwin River Dam. We can bring Manton Dam back on line if we need to, but there are water quality issues with Manton Dam because it is used for recreational purposes.

Howard East and McMinn borefields were designed so that they could meet the minimum hygiene requirements for each householder in Darwin, Palmerston, etc, and that is about 180 litres a day. Our extraction plan for that borefield and our construction of bores for that borefield was always a 20 year program to keep pace with that requirement to provide diversity of supply from that borefield.

Stage 2, which is the issue that is contemporary at the moment, would see us bringing online all existing bores that are out there that were drilled in the 1980s but have not been used as production bores. We have applied for an extraction licence for an extra 4000 megalitres a year from that source. We would envisage bringing those additional four bores online over the next two to three years at a cost of \$5m. Whether we get the 4000 megalitre a year extraction licence or not is clearly a matter for the regulator.

Mrs BRAHAM: So the reason you will be actually using these bores?

Mr MACRIDES: Is diversity of supply. It is this requirement to make sure that, if something happens to Darwin River Dam, we can meet the minimum hygiene requirements for each householder up here. That minimum requirement is about 180 litres per day per capita, and that can come out of those borefields under our existing licensing arrangement.

Mrs BRAHAM: On the coldest day of the year in Alice Springs, they had five outages over a period of time? Do you compensate people for this particular loss of power that occurs? Your timing is impeccable!

Mr MACRIDES: We do not. We recognise the inconvenience it places on people. Having said that though, the Utilities Commission, which is our industry regulator, has introduced a Standards of Service arrangement, and ultimately that arrangement will move into an arrangement whereby we will be forced to compensate users for a range of power interruptions. UC has on record that that will be brought in, in the next couple of years.

Mrs BRAHAM: That is a good idea, because it went all day. I am not quite sure whether they have fixed the problem, but it was apparently to do with doing new lines. These are the overhead power lines that had been affected by the rain, so I think people would get a little bit more comfort if they knew that what they had to suffer on that particular day was unfortunate.

Mr MACRIDES: Yes, it was an unfortunate set of circumstances. That was Larapinta Stages 1 and 2, yes, and it had to do with work that was being put into building redundancy into the supply and ...

Mrs BRAHAM: You realise that it was a bit ironical that Alan White lives out that way.

Mr MACRIDES: Indeed.

Mrs BRAHAM: So I guess we were not the only ones to suffer. Mr Chairman, I have got through mine quite quickly and it is a minute to go. I just want to say thank you very much, gentlemen, for those answers.

Mr CHAIRMAN: Member for Greatorex, do you have any questions you wanted to squeeze in?

Dr LIM: No, thank you.

Mr CHAIRMAN: On behalf of the committee, I thank you both for your attendance and to all the officers that you brought with you, Mr Philip. Thank you very much for the information you have provided. With that, I will close the committee meeting for 2007 for Government Owned Corporations.

The committee adjourned.
