

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2024–25 Budget Estimates**

Melbourne – Thursday 23 May 2024

### **MEMBERS**

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Aiv Puglielli

Meng Heang Tak



**WITNESSES**

Lily D’Ambrosio MP, Minister for Energy and Resources; and

John Bradley, Secretary,

Elizabeth Molyneux, Deputy Secretary, Energy,

Stan Krpan, Chief Executive Officer, Solar Victoria,

Matt Vincent, Chief Executive Officer, Resources Victoria,

Alistair Parker, Chief Executive Officer, VicGrid,

Anh Mai, Executive Director, Offshore Wind Energy Victoria,

Vanya Kumar, Executive Director, Innovation, Commercial and Investment Attraction,

Katie Brown, Executive Director, Electrification, Efficiency and Safety, and

Lyn Bowring, Executive Director, Consumer, Community and First Peoples Energy Transitions, Department of Energy, Environment and Climate Action.

**The CHAIR:** I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones now be turned to silent.

I begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their elders past, present and emerging as well as elders from other communities who may be joining us today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2024–25 Budget Estimates. The committee’s aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, any comments repeated outside of this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee’s website.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream today and other committee members.

I welcome the Minister for Energy and Resources the Honourable Lily D’Ambrosio as well as officers from DEECA. Minister, I invite you to make an opening statement or presentation of no more than 10 minutes, after which time the committee will ask you some questions. Your time starts now.

**Lily D’AMBROSIO:** Thank you very much, Chair. It is a great pleasure for me to present this short summary of the key focuses of our government arising from this recent budget.

**Visual presentation.**

**Lily D’AMBROSIO:** Victoria’s energy system has historically been built on two pillars. One is cheap coal-fired power and cheap and plentiful gas reserves. But things have changed, and they have changed quite significantly. Our coal-fired generators are old. They are unreliable and they are closing down, and we have heard that from the owners. Gas also is no longer cheap, and it is no longer plentiful. Indeed the experts tell us that our resource of gas offshore and certainly onshore is depleting and we need plans in place to ensure that we can deal with that change. So we have got a lot of work underway to transform our energy system, work that is not just necessary but is urgent. Despite the cost pressures at the moment, we have kept our wholesale

electricity prices amongst the lowest in the country and our wholesale gas prices remain the lowest on the east coast.

We will need to build around 28 gigawatts of new renewables capacity and storage by 2035, and that is an enormous undertaking. To get there, 8.3 gigawatts of new grid-scale renewables will be installed; to ensure reliability around the clock, 6.3 gigawatts of new short-term and long-term duration storage will be in place, alongside 4 gigawatts of offshore wind to diversify our energy generation; 7.3 gigawatts of additional rooftop solar; and 4.8 gigawatts of distributed storage like household and neighbourhood batteries also will be installed.

Through VicGrid, the Victorian government agency, and the Victorian transmission investment framework we will work with communities to coordinate new transmission infrastructure. Meanwhile, we will also help transition Victorian households and, where it is possible, businesses off expensive fossil gas, not because of ideology but geology. Some would like to claim it differently, but the geology is very clear. Not only does installing more efficient electric appliances save Victorians thousands on their energy bills every year, but it ensures that we are preserving gas for the sections of our economy where electrification is not yet an option. Planning now, implementing now, for the future. Manufacturing and industrial applications and gas-fired peak generators are also critical in this. Every aspect of this year's \$184 million budget allocation to the energy and resources portfolio ensures that we can continue this transformative work at the pace it is required. It also builds on the work we have done since coming to government in 2014.

The next slide shows that our ambitious renewable and storage targets are ensuring that we have got an investment environment that provides certainty for industry. We have delivered on our 2020 renewables target, and we are well on track to meet our 2025 target. Victoria's renewable electricity generation rose to just over 39 per cent across 2023. That is about 11 per cent, and it was just under 11 per cent when we first came to office. That is because 4.2 gigawatts of new large-scale renewable energy came online from the 59 different projects that have been commissioned to date. This reflects billions of dollars of investment in Victoria and of course jobs. With our offshore wind energy targets and three implementation statements so far, we are building very strong investment interest from proponents as we work to develop Australia's first offshore wind industry.

We have brought back the SEC, a public-facing entity. That will help accelerate the build of new renewable energy while returning government ownership of these new assets for Victorians. Already construction is underway on our first project, one of the largest batteries in the world. We are also helping households slash energy bills. Over 300,000 households have been supported to install solar panels, hot water and battery systems through our \$1.3 billion Solar Homes program, and our Victorian energy upgrades program has installed upgrades for 2.4 million households and 170,000 businesses. Over the past 12 months we have made a number of changes to the VEU program, strengthening protections for consumers and expanding the products available to make it easier for customers to pick the products that they need. These two programs together are ensuring that Victorians are saving money on their energy bills and every day. Because of all the actions taken, wholesale power prices in Victoria have consistently been the lowest or close to the lowest each year for the last four years, and this is set to continue.

Now, there is more to be done of course – the transition is years in the making. But this budget now, the 2024–25 budget, provides almost \$184 million in new funding for the energy and resources portfolio, sitting alongside the work already underway to keep the momentum going. This includes \$18.3 million for planning for the offshore wind program, working towards the competitive procurement auction to be held in 2025, kicked off late – at the end of this year. This will be the first in Australia. \$12.5 million is going to help establish VicGrid as Victoria's transmission planner and continue the important work to implement the new Victorian transmission investment framework. To boost renewable energy investment and ensure projects can be built quicker, this budget provides \$10.1 million for accelerating energy project delivery and mitigating biodiversity impacts. This includes improvements to spatial risk mapping, targeted research and expert advice and updated biodiversity guidance and assessment standards.

This funding complements the announcement made by the Premier, the Minister for Planning and me about the expansion of the development facilitation program to renewable energy projects. This budget also provides significant funding to continue helping Victorian families save on their energy bills each and every day. We are adding \$37.7 million to the more than \$624 million in Solar Homes rebates approved since 2018 to deliver more rebates for efficient electric hot water systems. Solar Victoria's hot water rebates are currently more popular than ever, with demand in 2023–24 being 450 per cent higher than the year prior. \$6.1 million is also

provided for the Solar Homes battery loans program. The budget provides \$5.9 million for a strategic review of the Victorian energy upgrades program. This is the next step in the improvements we have made to the program thus far, ensuring it will continue to be the key driver to help more Victorians, households and businesses electrify their homes and businesses and slash their energy bills.

After the devastating extreme weather events that hit our state in February this year, we activated the prolonged power outage payment, which supported households and businesses that were without power for seven days or more. \$10.3 million is provided in this budget for those payments and other immediate relief activities. It also funds the independent review into the energy distribution system response, which we announced after the weather events.

Victoria's resources sector is critical, crucial, to building the infrastructure we need across the state. More than just our extractive resources, unlocking Victoria's critical minerals sector will strengthen our renewable energy supply chain and can deliver benefits for all Victorians. \$44.8 million is provided to Resources Victoria to continue improving efficiency and reliability of licensing functions, regulate potential harms and deliver new reforms to shape the future of our emerging critical minerals sector.

The energy sector and resources sector is undergoing a big transition. We will keep doing what needs to be done, and this budget delivers just that. Chair, I look forward to taking questions. Thank you.

**The CHAIR:** Thank you very much, Minister. The first 10 minutes is going to go to Mrs McArthur.

**Bev McARTHUR:** Thank you, Chair. Thank you, Minister. Minister, in July 2023 you received a brief from the department stating that there are:

... material risks to east coast gas supply on peak days from winter 2023, and Victorian-specific peak day, monthly and annual shortfalls emerging ...

from 2026.

It goes on to say that:

Electrification in Victoria cannot occur quickly enough to address these shortfalls. New gas supply will be needed to maintain reliable supply to gas consumers and to support increasing utilisation of gas power generation which will provide critical firming services as coal generation exits the NEM.

Minister, given that you noted the brief, do you agree with the department's findings?

**Lily D'AMBROSIO:** Thank you very much for the question. Can I say that the department has done a fantastic job in providing options for us to deal with the depletion of gas resources here in Victoria. Can I just say, though, that it seems that some people have come very late to this understanding. Geology has been telling

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**Bev McARTHUR:** Do you agree with their brief, Minister?

**Lily D'AMBROSIO:** Of course I agree with the department's advice, because —

**Bev McARTHUR:** Great.

**Lily D'AMBROSIO:** Can I finish answering the question, please? Thank you. But can I just say that some people have come very late to this understanding. All of this was acknowledged in our *Gas Substitution Roadmap*, which we published in July 2022 — a year before the reference that you make. In that document, which is a public document that went out through consultation, it tells us that the depletion of our gas resources means that we need to take other actions. There are a combination of actions that need to be taken, and the department has provided me with able advice on that. There are a combination of actions; there is not one silver bullet. Firstly, energy efficiency is critical to reduce our reliance on gas. Number two, electrification — encouraging Victorians and businesses, where they can, to electrify. All of this together means that we will be able to conserve more gas for those industries and businesses that cannot substitute. That is critical. The other important thing is that the *Gas Substitution Roadmap* in 2022 — a government road map that I thank the department for preparing and consulting on and that we issued as a government — talks about the steps that we are taking to source new supplies of gas for Victoria, because the reality is we will need gas for the foreseeable future to meet a whole variety of needs.

The actions that we have taken include of course supporting production:

The Victorian government has supported the planning of, and investment in, necessary production, pipeline and storage projects to support reliable and secure gas supply ...

I am just reading this from the road map, page 13, for everyone's reference –

**Bev McARTHUR:** Minister, just to move on, do you agree with the department's brief?

**Lily D'AMBROSIO:** I have answered that, and I have explained –

**Bev McARTHUR:** Excellent. That is fantastic. Secretary, do you stand by your brief?

**John BRADLEY:** Thank you for the question. The department's advice drew attention to the Australian Energy Market Operator's forecast for gas supply opportunities, and as the minister said, the *Gas Substitution Roadmap* had previously identified exactly those same pressures. The department's advice included the chart from the Australian Energy Market Operator's gas supply statement of opportunities that was published by AEMO and also referenced in our most recent *Gas Substitution Roadmap* update, released in December. And that *Gas Substitution Roadmap* update that was released in December drew attention to exactly the same things that are in the brief that you are referring to. It highlighted the need to make sure that we are maximising alternatives to gas supply through electrification, as the minister was highlighting; it highlighted the importance of renewable gas; and it noted that these things alone would help to take pressure off gas supply for important commercial and industrial sources, help to put downward pressure on prices and also take the pressure off gas availability for gas power generation. But it was also noting in that advice the important responsibilities of the Commonwealth government, and other material released in that same FOI release –

**Bev McARTHUR:** So, Secretary –

**John BRADLEY:** Sorry, Mrs McArthur – gave the indication that it was really important that the government communicate with the Commonwealth in relation to its responsibilities.

**Bev McARTHUR:** That is all terrific, Secretary. Can you supply the information on modelling and the gap between electrification and gas supply to this committee?

**John BRADLEY:** Mrs McArthur, we have released information within the *Gas Substitution Roadmap* update that talks to the assumptions of AEMO in relation to the impact of electrification, and I might just highlight those figures. It does note that the impact of electrification will contribute substantially to a reduction in gas demand, but it assumes, as we highlighted in the December update, that those electrification measures are going to be in place and play their role through to 2050. We highlighted in our December report that AEMO is relying on those orchestrated step-change scenario assumptions to reduce consumption by about 118 petajoules by 2042. That December update that we have published includes the modelling that has been undertaken by AEMO in relation to the downward pressure on gas demand that will come from electrification, and that figure that we published on page 70 highlighted that 118 petajoules by 2042 is able to be reduced through those measures, including electrification and energy efficiency.

**Bev McARTHUR:** Thank you, Secretary. Minister, what projects do you have underway to fix the gas supply shortfall by 2026, or have you ignored the warnings that we cannot electrify by then?

**Lily D'AMBROSIO:** Well, I think you have misunderstood plans that the government has in place. At no point has anyone in government ever asserted that electrification was the solver – the single solution to gas supply shortfalls.

**Danny O'Brien** interjected.

**Lily D'AMBROSIO:** No, that is the answer. You can ask the question as you see fit, but I will give you the answer that is a complete answer to a half-baked question.

**Danny O'BRIEN:** The question was: what gas supply projects have you got?

**Lily D'AMBROSIO:** I am just dealing with the assertions here, thank you very much, and what I will tell you –

**Bev McARTHUR:** I have asked a question, Minister. Can you answer it?

**Lily D'AMBROSIO:** Can you let me answer it?

**Bev McARTHUR:** Well, what projects? Just name them.

**Lily D'AMBROSIO:** I will name them, absolutely. Victoria has a range of committed, anticipated and potential projects underway that could provide additional gas supplies to Victorians over the next five years. For example, the Esso Kipper stage 1B project is listed as 'anticipated supply' and is currently expected to come online in 2026 as per AEMO's latest forecast. The Golden Beach –

**Danny O'BRIEN:** That is not your project; that is Esso's.

**Lily D'AMBROSIO:** Well, do you want me to start getting into gas production as a government, do you? The Golden Beach –

**Danny O'BRIEN:** Well, you are getting into electricity production. What is the difference?

**Lily D'AMBROSIO:** Do you want the answer?

**The CHAIR:** Excuse me, Mr O'Brien and Mrs McArthur, the minister is genuinely trying to answer your question and give context around the question. Please allow her to answer.

**Lily D'AMBROSIO:** The Golden Beach energy production and storage project is also listed as 'potential' in AEMO's forecast for 2027.

**Bev McARTHUR:** Potential?

**Lily D'AMBROSIO:** Well, that is the way it is categorised by the market operator, but can I just say that these are not my words. This is the way the industry and the market operator categorises these projects. That is how it happens. That gas reserve has been found to be viable and AEMO has, as I said, listed this potential forecast for 2027. They are critical. We also have in Victoria onshore currently nine exploration permits, 11 petroleum production licences and in offshore Victorian waters – so these are Victorian waters – five exploration permits, nine petroleum licences, 14 pipeline licences –

**Bev McARTHUR:** Minister, can you inform the committee what onshore gas exploration licences you have issued since 2014?

**Lily D'AMBROSIO:** What I say to you is that any proponent who wants to explore for gas –

**Danny O'BRIEN:** That is not the question.

**Lily D'AMBROSIO:** No, no.

**Bev McARTHUR:** What have you issued since 2014?

**The CHAIR:** The minister is just starting to answer the question.

**Lily D'AMBROSIO:** I am sorry; it is my answer, and I will answer it in the way that I choose to answer it. What I am saying to you is that at any time over these years that we have been government if a prospector has come to are seeking any licences for exploration or extraction, they would have been issued. The fact is not many are coming forward. In fact none have come forward –

**Bev McARTHUR:** Is it not a fact, Minister, that you have issued no licences since 2013?

**Lily D'AMBROSIO:** We know that between 2017 and 2020 more than \$42 million of investment has been made to map any sources of new gas supplies onshore and some in state waters, and businesses are actively pursuing the ones they can – pursuing exploration of those. The fact is this –

**Danny O'BRIEN:** You keep telling us there is no gas in Victoria. That \$42 million program was your program.

**The CHAIR:** Apologies, Mrs McArthur. Mr O'Brien!

**Lily D'AMBROSIO:** What I am saying to you –

**The CHAIR:** Minister, the time is up. We are going to go to Mr Galea.

**Michael GALEA:** Thank you, Chair. Good morning, Minister, Secretary and officials.

**Lily D'AMBROSIO:** Good morning. How are you?

**Michael GALEA:** I am good, thank you. How are you?

**Lily D'AMBROSIO:** Excellent, thank you.

**Michael GALEA:** Minister, I would like to start with something that you mentioned in your presentation, which also relates to the department performance standards, and that is the wholesale electricity prices, which I see are the strongest – the cheapest – in the national electricity market. Can you please talk to me about the factors that have led to this outcome?

**Lily D'AMBROSIO:** Yes. Victoria has had a very strong record in having amongst the cheapest if not consistently the cheapest wholesale electricity prices in the national electricity market, and that market comprises Queensland, New South Wales, Victoria, South Australia and Tasmania – effectively the overwhelming majority of the country. That is because we have had a very strong and ambitious agenda to grow the replacement electricity that we need for when coal generation electricity, which arises from combustion of coal for electricity generation, ends. We know of course that coal generators are ageing – no-one can deny that – and there are plans for those two to close at some point in time, so we have been very concerted in our efforts to ensure that the transition is a smooth one. When you have a smooth transition and have plenty of renewable energy projects built, you ensure that those wholesale electricity prices do not have the peaks that we see when you have a lack of planning.

The average spot price of electricity in Victoria during the current financial year has averaged \$52 per megawatt hour compared with \$55 per megawatt hour in South Australia, \$67 per megawatt hour in Tasmania, \$87 per megawatt hour in New South Wales and \$118 per megawatt hour in Queensland. There is a clear correlation between a higher share of renewable energy and lower wholesale prices, particularly amongst the three largest states in the electricity energy market.

**Michael GALEA:** Thank you, Minister. How do those wholesale power prices translate into the retail price that Victorian residents pay?

**Lily D'AMBROSIO:** Yes, certainly. Wholesale prices form a significant part, if you like, of a bill that comes to your letterbox or email and to businesses. Wholesale prices are the second-largest component of the retail bill behind only network costs. They account for about 30 per cent of a typical retail bill, so Victoria's lower wholesale prices mean lower power bills for Victorian households and businesses.

I really also want to highlight the fact that today we have had some further great news that very much provides further evidence of Victoria's efforts to keep those wholesale electricity prices consistently the lowest in the national electricity market. This morning we had the Essential Services Commission, which is the regulator for Victoria's Victorian default offer – Victoria was the first in the country to establish a fair retail price in the market, and we call that the Victorian default offer. Soon after the federal government followed that with a default market offer. Today's announcement by the Essential Services Commission will see for the 400,000 Victorians that are on the Victorian default offer \$100 shaved off their energy bills from 1 July this year. That is a fantastic outcome. It is \$100 less than last year's VDO, and it is \$311 less than what was announced by the Australian Energy Regulator this morning also for the default market offer that applies on average right across the rest of the national electricity market. 340,000 Victorian households are on the VDO; they will get \$100 off their power bills from the next financial year. 58,000 small businesses will have a significant reduction of their power bills. They will be paying an average reduction which is \$1333 less than small businesses in the rest of the market. They will be saving \$260 on last year's VDO.

I also want to highlight the fact that in Victoria we have 180,000 Victorians who are in embedded networks. Typically they pay what they are told to pay. They do not have the same flexibility to be able to shop around.



180,000 Victorians, most of those residential, will be seeing that \$100 come off their power bills in the next financial year. This is a significant saving, and this is because of the Victorian government's concerted efforts to put fairness back in the hands of Victorians and have the system working for them rather than all of us working for big energy retailers and the broader market. Energy is an essential service. Electricity is an essential service. It took this government to be elected in 2014 to start on a pathway which the rest of the country is now following in terms of consumer protections, having wholesale electricity prices that are fair and retail bills that are fair and those added protections for consumers.

**Michael GALEA:** Thank you, Minister. And \$100 less on the Victorian default offer for everyone's power bill is quite a huge achievement.

**Lily D'AMBROSIO:** Absolutely.

**Michael GALEA:** I know a lot of my constituents, especially those living in retirement homes, are forced to be on embedded networks as well, so that will make a big difference for them, especially to be \$311 lower than the federal default offer in particular. Minister, you have outlined as well that we are leading the nation in terms of renewable energy outputs, and we can see the benefits of that emerging through with these lower Victorian default offer prices this year. How would that compare, though, to another approach – say, if we were to adopt nuclear energy? What would be the outcome of that, price-wise?

**Lily D'AMBROSIO:** Thank you. Different energy sources will have different costs, if you like, and that flows on to prices that Victorians pay either at home or through their business. We know that the CSIRO have confirmed in their latest GenCost report that one option that is being debated nationally is power from nuclear sources. We know that that report – an independent CSIRO, which has been a Commonwealth agency for many decades, trusted, independent and science- and evidence-based – has shown that nuclear energy is, if you look at even comparing it to offshore wind, fixed offshore wind energy, at least three times more expensive to build. This is coming from people who are claiming that it is something that is needed. The only thing that it will guarantee is the highest power bills that the country will ever pay for energy. Why do that when you can invest in renewables that are available today backed with firming capacity? Even when you consider all of the other costs that go towards delivering the cheapest form of energy that is renewable, by far Victorians and Australians are better off with renewable energy supplied to meet our needs today and into the future as we manage this transition. To advocate for nuclear energy is simply to advocate for skyrocketing energy bills for Victorians, and here this government in Victoria will have none of that. We are on the side of consumers when it comes to the cheapest electricity bills, and that is why we are backing renewable energy with firm capacity that will deliver just that for Victorians today and into the future.

**Michael GALEA:** Thank you, Minister. Of course, as you say, with the price of those projects, let alone how long it would take for them to come online –

**Lily D'AMBROSIO:** But it is also about where they are going to be built. I mean, I would like to know whether the Member for Polwarth, whether the Member for Morwell or indeed the Member for Gippsland East would like to have nuclear power plants built in their communities, because that is exactly what the opposition here in Victoria are advocating.

**Michael GALEA:** Maybe the Member for Gippsland South here would like a nuclear plant in his electorate. Maybe the Member for North-Eastern Metro would like one in his electorate.

**Nick McGowan** interjected.

**Michael GALEA:** I do not think he does. And of course we know how outrageously expensive it would be as well. Minister, I would like to ask you about the Solar Homes program, if I may. I note that page 23 of the 'Department Performance Standards' details the performance measures for the Solar Victoria program, showing that the 2023–24 target for hot water rebates approved was \$4510 but the expected outcome was \$25,389. Minister, can you please outline this dramatic increase – overachievement – and the factors that led to the program going well above its targeted demand?

**Lily D'AMBROSIO:** Thank you very much. More Victorians than ever before in the history, frankly, of our state are seeking ways of saving on their energy bills, and the demand for Solar Homes hot water rebates are at record levels.

**The CHAIR:** Apologies, Minister, I am going to stop you there.

**Lily D'AMBROSIO:** Oh, yes.

**The CHAIR:** We are going to go to the Deputy Chair.

**Nick McGOWAN:** Thank you, Minister. Minister, just to clarify from my colleague here previously, has there been any issuing of any onshore conventional gas exploration licences since 2014?

**Lily D'AMBROSIO:** Yes. There have been none, because none have come forward seeking permits for onshore gas exploration or extraction – because there is no gas.

**Bev McARTHUR:** No, there was a moratorium.

**Lily D'AMBROSIO:** Which you supported.

**Nick McGOWAN:** Given the department's somewhat salient advice, isn't that a concern?

**Lily D'AMBROSIO:** I am sorry?

**Nick McGOWAN:** Given the department's salient advice that this is in fact an issue, isn't that a concern?

**Lily D'AMBROSIO:** I do not understand your question, because the fact is –

**Nick McGOWAN:** Isn't it a concern that no licences have been issued since 2014, for 10 years – a decade ago?

**Lily D'AMBROSIO:** No proponents have come forward –

**Nick McGOWAN:** I get that.

**Lily D'AMBROSIO:** No proponents have come forward because we went through a process between 2017 and 2020 where \$42 million was invested to do mapping of whether any conventional onshore gas could be found. That mapping was done. Can I also remind everyone that the ACCC in December 2023, just a few months ago, included in their report a summary of new gas fields not approved with the potential to deliver gas by 2028. The report stated that Victoria has zero petajoules of the 301 petajoules of reserves nationally – that is nationally.

**Danny O'Brien** interjected.

**Lily D'AMBROSIO:** No, no. Listen to the answer, please. Zero petajoules of 442 petajoules of proven and possible reserves nationally. These are the facts of the matter. Our lead scientist in Victoria, who is independent, also made it clear, just a few years ago, that there are no proven known reserves of gas onshore in Victoria. Can I say to those –

**Danny O'BRIEN:** Jacyn Symes said there were 6400 jobs in onshore gas in Victoria in 2020.

**The CHAIR:** Excuse me, Mr O'Brien. Enough of the commentary.

**Nick McGOWAN:** Minister, with respect, I have to move on, because you have answered the question.

**Lily D'AMBROSIO:** Can I just say to anyone who wishes to come forward – anyone who is able to come forward, right now, today, and in the time that we are in government – seeking permits: they will be considered and approved, pending of course environmental considerations, which of course are always a part of these processes.

**Nick McGOWAN:** Well, Minister, I am glad you referenced a federal government document because the federal government's *Future Gas Strategy* says that:

Households will continue to have a choice over how their energy needs are met.

Minister, will you step back from your gas bans and reconsider your *Gas Substitution Roadmap* in light of the federal government's more sensible plan, and the federal Labor resource minister, who says, 'based on facts and data, not ideology or wishful thinking'?

**Lily D'AMBROSIO:** Look, you can say what you like. I mean –

**Nick McGOWAN:** No, that is your colleague. That is a member of your same party saying that, not me.

**Lily D'AMBROSIO:** Well, okay. Let me answer the question, okay? In Victoria, geology – if you do not want to accept that. Geology tells us –

**Nick McGOWAN:** It is your colleague; it is not me.

**Lily D'AMBROSIO:** Well, she is wrong then. But I do not think her comments are about Victoria. I am happy to say that Madeleine King is wrong. These are the facts of the matter. The Commonwealth has got a plan for the export of gas. Can I say, this is where that problem started, just a few years ago, when gas development in Australia became an export commodity, which meant that everybody's gas prices in Victoria were tied to the global price. That shot up the price of gas for Victorian households and businesses. Now, no-one should ever deny that, because that is the fact of the matter. Geology also tells us that in Victoria our gas reserves are depleting. There is no ban on onshore conventional gas exploration or extraction.

**Nick McGOWAN:** Yet you have not issued a single licence for 10 years – a decade.

**Lily D'AMBROSIO:** There is no ban on conventional gas exploration or extraction – no ban, no ban, no ban. I can say that until the cows come home. You people do not want to hear it, because you are doing the ideology – I am doing the geology.

**Nick McGOWAN:** Minister, I welcome your response, but it is not me saying this, it is your own colleague – your federal colleague. At Labor's conference on the weekend, the federal government's *Future Gas Strategy* was labelled incompatible with Australia's emissions reduction targets and international obligations. Minister, is that correct?

**Lily D'AMBROSIO:** The Victorian state conference of the Labor Party is a matter for the Victorian conference of the state Labor Party –

**Nick McGOWAN:** You were not there.

**Lily D'AMBROSIO:** I am not a delegate. I can tell you what the Victorian government's policy is: not leaving Victorians stranded on some fairytale notion that there are all these reserves of gas yet to be tapped in Victoria, when the evidence and the science tells us – not Lily D'Ambrosio – the evidence and the science from AEMO, ACCC, tells us, the lead scientist tells us that we do not have sufficient supplies of gas in Victoria to meet our future needs. Any government that fails to accept that – or any opposition that fails to accept that, because you have only just come to this realisation – is damned to failure, and failing Victorians is not what we are –

**Nick McGOWAN:** That is strong condemnation of the federal government, Minister.

**Lily D'AMBROSIO:** I am saying to you that Victorians, from a few years ago – and we have heard this loud and clear from AEMO –

**Nick McGOWAN:** No, I hear that, Minister, but that is strong condemnation of your federal colleagues.

**Lily D'AMBROSIO:** I am saying to you what I am saying. My words are my words. So what I am saying to you is we will continue to approach this in three ways. One is we need to ensure that we are smarter in the way that we use our energy supplies. Energy efficiency is really critical to reduce our demand on a scarce resource. Number two, electrification is really important. Number three, sourcing additional supplies –

**Nick McGOWAN:** We agree on that, but Minister, I need to move on though, because time is limited, so respectfully: Minister, you applied to –

**The CHAIR:** Excuse me, Deputy Chair, you have asked the question.

**Nick McGOWAN:** No, the minister is not responding. On a point of order –

**The CHAIR:** The minister is answering your question and explaining why.

**Lily D’AMBROSIO:** The third element is sourcing additional sources of gas where we can find them. In July 2022, our *Gas Substitution Roadmap* says:

New sources of gas supply and new infrastructure may be needed to maintain the reliability of gas supply. Potential investments include new conventional gas supplies, expanded pipeline capacity to allow gas to flow from interstate, new storage facilities or the establishment of LNG import terminals.

The Victorian government statement from July 2022 – a fact that you choose not to accept.

**Danny O’BRIEN:** Where are they?

**Nick McGOWAN:** Point of order.

**The CHAIR:** Excuse me, Minister. A point of order has been raised.

**Nick McGOWAN:** I think we can move on. Thank you, Minister, for your answer –

**The CHAIR:** Is there a point of order, Mr McGowan?

**Nick McGOWAN:** No, there is no point of order.

**The CHAIR:** If you do not have a point of order, can I suggest that you do not raise it in the first place, Mr McGowan.

**Nick McGOWAN:** Certainly. Minister, you applied to the Treasurer to rejig 23 programs which you were not able to deliver in 2022–23. Specifically, I am referring to the neighbourhood batteries initiative, kicked out from 2022–23 and 2023–24 to 2024–25; the Energy Innovation Fund, spread out over three years rather than one, beginning in 2023–24; the Hume hydrogen highway program, kicked out from 2022–23 to 2023–24; and the energy efficiency upgrades and homes program, bounced from 2022–23 to 2023–24 after delays in meeting several milestones. Minister, my question to you is: will you guarantee that all of the targeted 25 neighbourhood batteries will be installed in 2024–25?

**Lily D’AMBROSIO:** Yes, of course I will. Rephrasing can sometimes happen, especially with neighbourhood batteries, where, for example, community engagement is really important. Communities are really excited by this program, let me say. It was an election commitment, and we are delivering on it – and we will deliver this, absolutely. We have talked to communities about how they would like neighbourhood batteries to be delivered, and that is why rephrasing can sometimes be an important way to ensure that we deliver neighbourhood batteries in the way that communities would like to see them developed. They want to be engaged, they want to be part of the process, and we will absolutely be delivering on this commitment.

**Nick McGOWAN:** Minister, the Victorian energy upgrade scheme is a case study, one would argue, in regressive and unequal policy-making. Only those who can afford to purchase new appliances can access the cashback, but that cashback is financed by all Victorians. Will you confirm that it is Labor’s policy that poorer Victorians should pay and are paying to incentivise wealthy Victorians to purchase new energy-efficient appliances?

**Lily D’AMBROSIO:** I would comment on that question in the following way, because what is important to understand is energy is an essential service. And when you have a look at the whole of the –

**Nick McGOWAN:** It is for poor people, too, though minister, not just wealthy people.

**The CHAIR:** Excuse me. Deputy Chair, allow the minister to answer.

**Lily D’AMBROSIO:** When you look at the energy system, there are cross-subsidies right across the system. For example, if you live in regional Victoria – the lovely places that we have got in Victoria – and you live in a particular distribution network that covers regional Victoria and metropolitan Melbourne, there are

cross-subsidies that happen to ensure that our distribution network operates fairly. Any upgrades are shared equally and fairly right across that distribution area.

**Nick McGOWAN:** This is not fair, Minister. If you are poor and you cannot afford it, you get nothing. How does that help anyone who is poor? The working class, Minister – I think you have turned your back on them.

**Lily D'AMBROSIO:** Well, you are wrong. Can I just say to you, clearly –

**Nick McGOWAN:** I hope I am wrong, Minister, but, please, tell me how I am wrong. Please do.

**Lily D'AMBROSIO:** Well, if you let me answer it. I know I get. I can say to you –

*Members interjecting.*

**The CHAIR:** Order! Excuse me, Deputy Chair, Mr O'Brien and Mrs McArthur. I cannot hear the minister's response.

**Lily D'AMBROSIO:** I could say to you, clearly –

**The CHAIR:** Excuse me, Minister, we are going to move on.

**Lily D'AMBROSIO:** Okay.

**The CHAIR:** We will go to Mr Tak.

**Meng Heang TAK:** Thank you, Chair. Good morning, Minister, Secretary, officials. I refer to page 23 of the 'Department Performance Statement', which details the Solar Victoria performance measure. Minister, you were just telling Mr Galea about the large increase in demand for hot-water rebates. Could you please expand on that?

**Lily D'AMBROSIO:** Thank you. Yes. I was not able to complete my answer because of time, but certainly we have had a significant increase in demand for energy-efficient hot-water systems through our rebates program. It is pretty clear that people's demand for this is only increasing, because they know that every two months they get a gas bill and their gas bill has shot up through the roof and it is not going to come down. So they are looking for ways to save money, and that is why our budget does just that. Hot-water system demand has increased by 452 per cent – that is for our rebates – compared to the same time in the previous financial year. We have had more than 700 Victorian households applying for the hot-water rebate each week – each week. Uptake has been incredibly high, and there are some areas where they are higher than in other areas: in Casey, for example, we have had 1193 households; in Wyndham, 968 households; and Greater Geelong, 975 households. We are seeing significant consumer interest in heat pumps. We know that heating and hot water are the biggest energy users in the home, accounting for more than 50 per cent of total energy usage. Of course that means that appears on your bills, so that is why Victorians are flocking to our rebates, and that is why we are providing record funds to ensure that we have got enough rebates to meet the demand in the community. Victorians are voting with their feet on this, and we are absolutely happy to help them save more money every year on their energy bills. They can save on average \$400 on their power bills every year. Why would you not support Victorians to switch from expensive gas hot water systems to fuel-efficient, energy-saving electric systems?

**Nick McGowan** interjected.

**Lily D'AMBROSIO:** It is available to everyone.

**The CHAIR:** Excuse me, Deputy Chair, show some respect.

**Nick McGowan** interjected.

**The CHAIR:** Excuse me.

**Meng Heang TAK:** Thank you, Minister. So then how is this year's budget ensuring that Victorians can continue to have access to the hot-water rebates to save on the cost of installing energy-efficient hot water?

**Lily D'AMBROSIO:** Thank you. The budget provides \$37.7 million for the rebates. That equates to the availability of 35,000 rebates to eligible households, and this adds to the more than \$634 million in rebates approved since 2018, delivering more than 315,000 systems as part of the nation-leading Solar Homes program. I can say to you that the single largest cohort that has taken advantage of our Solar Homes rebates, including the hot-water rebates, have been Victorians who earn less than \$100,000 a year. So anyone who suggests that it does not target or assist those on the lower income levels is just plainly wrong. Victorians know that these are really important ways and supports for them to reduce their power bills.

**Meng Heang TAK:** Thank you, Minister. Also, on page 23 of the 'Department Performance Statement' it shows the 2024–25 Solar Victoria target for applications for solar PV rebates for rental households has doubled from 2023 to 2024. Minister, can you please explain to the committee why this target has increased?

**Lily D'AMBROSIO:** Thank you. Now, with solar for renters, accessibility has always been a difficult nut to crack, if you like, right across the country and indeed globally. But we have found ways of ensuring that even people who rent their home are able to also get the benefits of solar on their roofs. That is why we have increased the number of rebates available. We know the solar for rentals program offers eligible rental providers a rebate of \$1400 for the installation of solar panels on their property, slashing the up-front costs of solar while increasing the value and appeal of their property and passing on significant bill savings to tenants. Eligible rental providers can also apply for an interest-free loan of up to \$1400 to further reduce the up-front cost of a solar panel system. So it is a win for everyone. It is a win for those who own the property and are leasing the property out to renters, and of course it is a big support and a big win for the renters themselves.

On that front, because of the success of our program, just recently we struck a partnership arrangement with the Commonwealth government to deliver a new \$16 million solar for apartments program, delivering rebates to owners corporations for apartment buildings so that they can install solar also. Now, many of those are renters – not all of course, but many would be renters. About 12 per cent of Victorian households live in apartments, with about 63 per cent of these occupied by renters, so again we are finding ways of partnering, where we can, with the Commonwealth government – it is good to have a friend now at a federal level – so that we can actually have a combined effort to get to more Victorians to help more Victorians reduce their power bills, their energy bills, each and every year.

We have also of course provided rebates and energy efficiency upgrades to 19,000 social housing properties since 2021. Again we are finding and looking for ways to actually save for Victorians, whether they are home owners, whether they are renters in private accommodation or whether they are renters in social housing. We want to make sure that everyone gets the benefit of our Solar Homes program, getting the energy savings each and every year.

**Meng Heang TAK:** Thank you, Minister. In terms of solar PV for apartments, you mentioned the impact that the solar for apartments program is having for renters. Minister, can you please explain more about this program and the impact it is having?

**Lily D'AMBROSIO:** Yes, thank you. The solar for apartments program – I can unpack what our target is. We are targeting about 5000 households, including owners and renters. One of the key barriers has been the up-front costs of buying and installing solar to cut energy bills, and that is because you have common roof space when you are looking at apartments, and how do we manage that? Now, funding will be provided to Victorian owners corporations for apartment buildings, so if you can get owners corporations agreeing, that is a really important first step. What we are doing is ensuring that the value of the rebate to meet that barrier, that up-front cost, is sufficient to make it attractive for those owners corporations to come into the program.

We are looking at providing funds for up to 100 per cent of the solar PV installation costs at a maximum of \$2800 per apartment. The maximum grant amount is \$140,000 per building for buildings with up to 50 apartments and up to eight storeys. There are reasons why that combination is there. I am happy to go into that, but Solar Victoria is working really closely with industry – Stan Krpan is here, who is overseeing this – local government and strata community representatives to develop a program that is streamlined and simple. I am pleased to say that the early evidence really shows a very strong interest for this program. We see that demand for this new program has been extraordinary. We have had 220 initial applications submitted as at 9 May, and 143 apartment buildings totalling 2443 apartment lots have received conditional approval. These applicants have a further 90 days to finalise their project arrangements and submit final applications to Solar

Victoria. So we are meeting a need that has not been able to be met up until now, and we will continue to look for ways to help the most vulnerable people in our community to access ongoing bill savings each and every year.

**Meng Heang TAK:** Minister, I want to take us to the gas transition, if I can. Page 100 of budget paper 3 references the department's objective of improving energy affordability. Minister, can you please outline what actions the Victorian government has taken to meet this objective through the gas substitution agenda?

**Lily D'AMBROSIO:** Thank you. The *Gas Substitution Roadmap* obviously covers a number of approaches. There are three approaches, generally speaking, to dealing with the geological challenges that we have got in terms of future gas supplies. What I will say to that –

**The CHAIR:** Apologies, Minister, I will interrupt there. I am a ruthless timekeeper. We go to Mr O'Brien.

**Danny O'BRIEN:** Thank you, Chair. Morning, Minister and team. Secretary, page 200 of budget paper 5 lists the Yallourn power station safety net deal as a contingent liability and says that as part of this safety net, quote:

... under certain scenarios, the State agrees to provide partial support to EA ...

being Energy Australia, which runs Yallourn power station. Is it possible that under some of those 'certain scenarios' this liability could exceed a billion dollars?

**John BRADLEY:** Mr O'Brien, as you will know, the terms of that safety net agreement, the ensuring arrangement with Yallourn, was a matter that was commercial in confidence. Obviously it is a market-facing agreement, but certainly we would not expect that there would be any potential liability of the kind that you are talking about, on that scale.

**Danny O'BRIEN:** What sort of potential liability would it be then?

**John BRADLEY:** The nature of the agreement – we have obligations to ensure it remains in confidence, given the market in which the power station operates.

**Danny O'BRIEN:** I understand that, and I understand the commercial sensitivity and the political sensitivity of it too, Secretary, but it is taxpayers money being potentially put on the line here. If it is not a billion dollars, it is less than that. What is the ballpark that it is?

**John BRADLEY:** Mr O'Brien, I have answered the question as best as I am able given the commercial and confidential nature of the agreement. Certainly it is an important agreement, which is making sure we have got an orderly exit of the Yallourn power station in 2028. That de-risks investment by other market participants and helps to make sure there is a more reliable transition because we have a timing of that power station's exit, but it is a delicate matter because it operates in a market where there is a concentrating of prices, and we just need to be careful we do not distort markets through the way that information is released.

**Danny O'BRIEN:** Can I ask then, and this relates to the Loy Yang deal as well, is it more about the unexpected – say, a unit goes kaput at Yallourn, you will step in to assist with the cost of that – or is it about certain market price movements being subsidised by the taxpayer to keep Yallourn going?

**John BRADLEY:** Mr O'Brien, I am probably not at liberty to divulge what is commercial in confidence.

**Danny O'BRIEN:** Okay. Can I ask therefore: have any payments been made to Energy Australia as yet?

**John BRADLEY:** The payments that will be made under that agreement, as per the contingent liability that you have recognised, would be published in the accounts of the state both in terms of the department's annual report –

**Danny O'BRIEN:** This is the Public Accounts and Estimates Committee, Secretary. That is why I am asking.

**John BRADLEY:** Yes, so –

**Danny O'BRIEN:** All that is published in the accounts of the state is this contingent liability.

**John BRADLEY:** My answer to you, Mr O'Brien, is to try to give a short answer, that they will be published as they occur, and there have been none that have occurred.

**Danny O'BRIEN:** None so far. Okay. When does the Loy Yang agreement come into effect? Is it in effect now?

**John BRADLEY:** Yes.

**Danny O'BRIEN:** So why is it not in the contingent liabilities?

**John BRADLEY:** The contingent liabilities that are reflected in the budget papers are prepared in accordance with the accounting standards, and to the extent there is a contingent liability, that would be reflected in the budget papers.

**Danny O'BRIEN:** But if there is a deal in place now for Loy Yang and there is a deal in place for Yallourn, there is one for Yallourn in here – why isn't Loy Yang in here? Is it beyond the forward estimates?

**John BRADLEY:** The contingent liabilities have to be prepared in accordance with the accounting standards and –

**Danny O'BRIEN:** Yes, I got that.

**John BRADLEY:** our department's accounting staff and DTF – the Department of Treasury and Finance – work together to make sure that we are appropriately recognising any contingent liabilities in the budget papers.

**Danny O'BRIEN:** Yes, well, that is a very technical answer. The straight answer I am after is: why is Loy Yang not included as well? Is it because it is beyond the forward estimates?

**John BRADLEY:** To be honest with you, Mr O'Brien, I am not in a position to advise why that is not appearing.

**Danny O'BRIEN:** Okay. All right. Thank you, Secretary. Minister, in debate on the offshore wind energy Bill recently in the upper house, Minister Stitt, who had responsibility for the Bill at the time, said that the offshore development at the Port of Hastings was 'on hold'. Is that correct?

**Lily D'AMBROSIO:** Well, I do not know that that was a direct quote.

**Danny O'BRIEN:** It was.

**Lily D'AMBROSIO:** Well, what I say to you is that we are absolutely on track in terms of offshore wind. We will be releasing a further implementation statement. As you know, we produce these implementation statements to give the market and industry developers clarity around the regulatory approvals in place. So we are absolutely on track to go to an expression of interest –

**Danny O'BRIEN:** Hang on –

**Lily D'AMBROSIO:** No, I am explaining to you –

**Danny O'BRIEN:** Hastings got knocked back by the federal government in January. The question is: is it on hold?

**Lily D'AMBROSIO:** No, it is not on hold.

**Danny O'BRIEN:** How is it on track if it has been six months since that decision was made and we have heard nothing since?

**Lily D'AMBROSIO:** I am sorry, what decision?

**Danny O'BRIEN:** The federal government's decision to knock back –



**Lily D'AMBROSIO:** Decision to do what?

**Danny O'BRIEN:** To knock back the Port of Hastings.

**Lily D'AMBROSIO:** Well, these matters around the port are matters that are continuing to be discussed with the Commonwealth government. We continue to develop up the market process for ensuring that we are ready to go with an auction next year.

**Danny O'BRIEN:** No, no, I am talking about the port.

**Lily D'AMBROSIO:** Later this year expressions of interest –

**Danny O'BRIEN:** There is no point having an auction if there is no port. Is the Port of Hastings –

**Lily D'AMBROSIO:** The thing is there will be ports, and we are absolutely on track. The Victorian government and the Port of Hastings continue to work closely with the Commonwealth government to assess their decision and what options are available for the Victorian renewable energy terminal.

**Danny O'BRIEN:** Is the Port of Hastings still the government's preferred offshore wind construction port?

**Lily D'AMBROSIO:** Yes.

**Danny O'BRIEN:** Right.

**Lily D'AMBROSIO:** Can I say to you, though, that several ports will be needed to deliver offshore wind energy in Victoria.

**Danny O'BRIEN:** Will that include interstate ports?

**Lily D'AMBROSIO:** Well, I am not here to discuss with you what ports will be needed or will not be needed. What I can say to you is that –

**Danny O'BRIEN:** You just volunteered it. You just said several will be needed.

**Lily D'AMBROSIO:** Yes, and there are several ports –

**Danny O'BRIEN:** Does that include interstate ports?

**Lily D'AMBROSIO:** Well, I am not going to be divulging here matters that are commercial matters that are being worked through in government. We will have an implementation statement released later this year. We will also kick off our auction process later this year, starting with an expression of interest and –

**Danny O'BRIEN:** I understand that, Minister. I am talking about ports.

**Lily D'AMBROSIO:** going to a full tender process next year, and the projects –

**Danny O'BRIEN:** I am talking about ports.

**The CHAIR:** Excuse me, Mr O'Brien. The minister is answering your question.

**Lily D'AMBROSIO:** will be awarded towards the end of 2026.

**Danny O'BRIEN:** She is not being relevant to the question.

**Lily D'AMBROSIO:** I am being very relevant. I have explained to you that we continue to work with the Commonwealth on the issues surrounding the EES, and that work will continue. There are a lot of strands to this process, and they are on track.

**Danny O'BRIEN:** Minister, will you guarantee that all the Victorian offshore wind farms will be built from a Victorian port?

**Lily D'AMBROSIO:** What I will say to you – and I am not here to pre-empt any tender processes or any auction processes. That would be foolish, and frankly, we are not –

**Danny O'BRIEN:** That has got nothing to do with the tender process, Minister.

**Lily D'AMBROSIO:** No, it does.

**Danny O'BRIEN:** No.

**Lily D'AMBROSIO:** Well, it does; it goes to a number of questions. We will report to the market as we continue to engage with the market. Can I just say to you that our implementation statements are global best practice when it comes to the development of offshore wind energy globally –

**Danny O'BRIEN:** It just might be from Bell Bay in Tasmania.

**Lily D'AMBROSIO:** and that is because offshore wind energy is something that we are learning from in terms of how it has happened overseas. We are taking those learnings to have best practice here in Victoria, and that is what we will be delivering for Victorians.

**Danny O'BRIEN:** Okay. Thank you. Secretary, the minister just talked about nuclear being three times the cost of fixed offshore wind.

**Lily D'AMBROSIO:** At least.

**Danny O'BRIEN:** Secretary, what is the price the department estimates for offshore wind?

**John BRADLEY:** I am sorry, Mr O'Brien, I just missed the last sentence.

**Danny O'BRIEN:** What is the price, the delivered price, that the department is using to estimate for offshore wind?

**John BRADLEY:** The department has an eye to a range of observed available market information, and the recent publication of the GenCost data, which includes a cost range within it, for offshore wind is a relevant data point.

**Danny O'BRIEN:** What is that cost range?

**John BRADLEY:** Just bear with me 2 seconds, Mr O'Brien. I will just pull that up.

**Danny O'BRIEN:** Is it four to five times the current cost of wholesale power in the market?

**John BRADLEY:** If you just give me one moment, I will answer your question. The cost of offshore wind in the AEMO and CSIRO GenCost report is a range of \$105 to \$182 in the levelised cost for energy for 2030.

**Danny O'BRIEN:** Okay. So that is about three or four times the current wholesale cost in Victoria. How is that going to impact on Victorians' power bills?

**John BRADLEY:** Yes, it is a really important issue, Mr O'Brien. The nature of the energy system is that we have got a range of sources of supply that provide different roles in the market. So you can have very low cost sources of supply that are complemented by higher cost sources of supply and still deliver better cost outcomes for consumers. That is one of the reasons why the GenCost report released today is highlighting that firmed renewables, even at 90 per cent, are cheaper than other alternative sources of supply as part of a portfolio, because you take a portfolio approach. So offshore wind as part of an integrated system can complement because of its high-capacity factors over 50 per cent –

**Danny O'BRIEN:** But at considerably higher cost.

**John BRADLEY:** It has a higher cost in terms of its individual unit output, but it is filling the gaps. It is balancing other more variable sources of renewable energy, and the overall bill outcome, the overall wholesale cost in the market, ends up being a good outcome.

**The CHAIR:** Thank you, Secretary. We are going to go to Ms Kathage.

**Lauren KATHAGE:** Thank you, Chair, Minister, officials. I would like to take you to page 30, please, of BP3, where there is some information on VicGrid. We can see here about VicGrid and implementation of the Victorian transmission investment framework. Minister, can you tell us a bit more about that framework and how it is intended to benefit our communities but also renewable energy investors?

**Lily D'AMBROSIO:** Thank you very much for that question. We released the Victorian transmission investment framework in July 2023, and what we set out to achieve was changing the way that transmission has been delivered in the past and making sure that Victorians on the ground have very early engagement and understanding of what transmission could look like for them but also to hear from community about what land is best used for particular purposes, so taking into account the value of agricultural land, the value of other types of land, environmental et cetera, and ensuring that we do a lot of that early engagement very early in the piece, so that when we do end up delivering on transmission infrastructure it is delivered in the right places and at the right time to support renewable energy development.

What the VTIF does is set out an approach for planning and coordinating investment in large-scale transmission infrastructure that we need to develop Victoria's electricity grid and our renewable energy zones. There are six renewable energy zones in Victoria. They are acknowledged by the market operator. The proposed approach seeks to integrate land use, environmental impacts and community views in transmission infrastructure planning to support better outcomes for local communities as well as more timely project delivery. We have got a big transition that is underway. We have got to keep the lights on, and keeping the lights on means that we have got to have those renewables energy zones developed and get those renewable energy projects built, whether they are variable energy sources or firmed energy sources, and transmission is a really vital part of that. Transmission planning takes a lot longer than actually getting individual renewable energy projects built, so we need to move very quickly but with a cautious approach, a fully integrated approach with community engagement.

This will also be a really important way for industry to understand where our renewable energy zones are and where the transmission infrastructure will be placed, so that they can then move with confidence on their investment decisions around renewable energy projects that need to be built. The other important element of VTIF of course is community benefit sharing, and we have made very clear commitments that with the transition that is underway local communities that will be hosting these new transmission projects but also our renewable energy zones actually get direct benefits for hosting those projects.

**Lauren KATHAGE:** Thank you, Minister. It sounds like it is providing a lot of certainty for people as well as opportunity.

**Lily D'AMBROSIO:** Yes, definitely. Really it is best practice. We have seen that the way it has been done up until now has led to very poor concerns by communities. We have heard that loud and clear with the way that transmission planning has occurred up until now. The market operator has been responsible, together with the proponents of transmission, and the VTIF includes processes that will give Victorians greater confidence that their concerns, their interests will be taken into account very early on in the planning of projects. That is really important, because then you can plan for those concerns and get better outcomes, better results for those communities.

**Lauren KATHAGE:** Thanks, Minister. You spoke about the importance of transmission. How is VicGrid's work supporting Victoria to reach our targets for renewable energy, for emission reduction? What is VicGrid's role in that?

**Lily D'AMBROSIO:** VicGrid has been established by this government to progressively take on what has been traditionally the role of the market operator as Victoria's system planner, our transmission planner, and VicGrid therefore has started by becoming the planner for the new transmission infrastructure that we need for the future, including offshore wind energy transmission infrastructure. But also of course as new transmission is planned and needs to be built, VicGrid will take on that responsibility. It will have as its motivator having the best outcomes for Victorian consumers. We need to ensure that the projects that are built have economic benefit for Victorians, unlock the fantastic renewable resources that we have in Victoria, including offshore wind – and offshore wind is a vital and necessary part of that. That is why VicGrid has already kicked off processes around

the transmission infrastructure that is needed to bring energy from offshore into Victoria and is also right now out consulting on community benefit sharing arrangements.

**Lauren KATHAGE:** Thank you. So you just mentioned some work that VicGrid has done. What else has it sort of done? I think you said it is relatively new. What has it done to date to support the transition?

**Lily D'AMBROSIO:** What VicGrid is doing is consulting around the community benefit sharing arrangements. Just recently, last week I believe – and I know that Alistair Parker is here, who can help supplement this if needed – it was out consulting on community benefit sharing arrangements for local communities: what contributions can be made through the building of new transmission infrastructure, what contributions can be made by the developers of renewable energy projects in the renewable energy zones, what are the funds that can be established for use by local communities that will stay in local communities and benefit local communities. If you like, I am happy for perhaps Alistair Parker to expand on that.

**Alistair PARKER:** Thank you, Minister. In the near term, VicGrid has existed for three years. It was a very small group at first. The first job we did was the renewable development zone plan stage 1, and that dispersed \$480 million of government money to kind of turbocharge the transmission network and provide additional capability in the network to support renewables. Those projects are going through the various stages to completion. They are now in the hands of the proponents, and we expect those to complete over the next two financial years. So that will provide a huge amount of additional renewable capacity on the transmission network. As the minister says, we have been working on the community benefits fund. We are also doing the policy work to lead to the second stage of reform. Recently we had the *National Electricity (Victoria) Amendment Act* go through Parliament, and that put some obligations on me and also enabled me to do certain things, working with AEMO and so on. But the second stage, as the minister says, will stand us up as the transmission planner for Victoria, and I think that is really important. For the first time we will have a transmission planner who has an obligation to the community and an obligation to electricity consumers –

**Bev McARTHUR:** What about the landowners?

**Alistair PARKER:** Well, I include landowners of course.

**Bev McARTHUR:** Will it be above ground or underground?

**Lauren KATHAGE:** This is my time, Mrs McArthur.

**The CHAIR:** Excuse me. Mrs McArthur, please do not interrupt other members' time.

**Bev McARTHUR:** We get ours interrupted all the time.

**Lauren KATHAGE:** This is my time, thank you.

**Alistair PARKER:** Sorry, I have just lost my train of thought.

**Lauren KATHAGE:** No, that is all right. I might ask you, Minister, we have been talking a bit about the investment framework, but we also have the Victorian transmission plan. Are you able to explain a bit more about that plan?

**Lily D'AMBROSIO:** Yes, thank you. VicGrid – part of their work is to actually develop a Victorian transmission plan, and that is for a range of possible future scenarios, to minimise the risk of underinvestment and overinvestment in terms of transmission infrastructure. One thing that is clear, as I mentioned in an earlier comment, transmission takes a long time to actually plan and build. Meanwhile we need to be ready for that. The Victorian transmission plan will be informed by strategic land-use assessments, which will consider a range of land-use, engineering, environmental, cultural and social factors, and that includes of course use of agricultural land – that is really critical. The first plan will be published by 31 July 2025.

**The CHAIR:** Thank you, Minister. We will go to Mr Puglielli.

**Aiv PUGLIELLI:** Thank you, Chair. Good morning, everyone. I am very happy to see investment in this budget for improving Victorian energy upgrades. Now, one of the major objectives, as you would be aware, of VEU is to get Victoria off gas, which is great. But Victoria still has several new oil and gas projects in the

pipeline, and earlier you mentioned several of them are either underway or incoming. This might be for the department – can we just get a number on how many new fossil fuel projects are currently approved or proposed in Victoria, just as a ballpark figure?

**John BRADLEY:** I am happy to find a figure.

**Aiv PUGLIELLI:** It can also be on notice if need be. There are a lot of papers to go through. I am on quite limited time – if that could be on notice, is that possible? Is that okay?

**John BRADLEY:** Sorry. Minister, if you are happy, I can –

**Lily D’AMBROSIO:** Yes, please. Thank you.

**John BRADLEY:** Thank you for your patience. The best figures to provide would be that currently we have nine exploration permits, 11 petroleum production licences and in Victorian waters –

**Lily D’AMBROSIO:** Five exploration.

**John BRADLEY:** Thank you – and in offshore Victorian waters five exploration permits, nine petroleum licences and 14 pipeline licences.

**Aiv PUGLIELLI:** Thank you so much. As you would be aware, seismic blasting is a way to map new oil and gas reserves, and to be quite blunt for people watching on, effectively you are bombing the ocean with air cannons. How many of those seismic blasting projects are proposed in state waters in the coming years?

**Lily D’AMBROSIO:** This is for gas exploration, is that what you are saying?

**Aiv PUGLIELLI:** Yes, that is right.

**Lily D’AMBROSIO:** Well, look, ‘in the coming years’ is a bit of an open-ended question, so it is a bit unclear.

**Aiv PUGLIELLI:** That is okay. Maybe on notice, is that –

**Lily D’AMBROSIO:** But on the actual focus of the question, I am imagining it is about environmental impacts, is it?

**Aiv PUGLIELLI:** You may have some opportunity shortly to go into those, if that is okay. I am just going to quickly move through. I understand Beach Energy – on the subject of seismic blasting – want to seismic blast an area adjacent to the Twelve Apostles early next year. Given it is in state waters, does the Labor government support that project?

**Lily D’AMBROSIO:** Well, we support the need for us to source new supplies of gas. This is not about turning off the tap; this is a journey, and we need to be prepared for it. What we need to do, though, is make sure that if there are other sources of gas that are found – we know some have been identified and they are going to be coming to Victoria, but it is just not sufficient to meet our demands.

In terms of seismic blasting and whether that is safe, I think what is really critical here is that we have got very strong environmental considerations when considering any types of projects that may require seismic blasting. I think it is really important for people to accept – and we go by evidence and the science – that we expect that any proponents or developers that may need seismic blasting for projects provide an environment plan to our department, Resources Victoria, to ensure that they have identified any potential risks to the environment but also plans to mitigate those risks. Those assessments by the department are very rigorous, and we engage the best evidence and science, including of course seeking support or advice from the biodiversity division of DEECA.

In terms of Beach Energy, they are expected to submit the environment plan in quarter 3 of this year for the Calico seismic survey. That is over the offshore area and onshore area for the Port Campbell to Nirranda area, so that is specific to the question. But just to be assured that all of the evidence and science is brought to assessing those environment plans for approval.

**Aiv PUGLIELLI:** Thank you, Minister. In the past when my colleagues have asked about oil and gas projects occurring in Commonwealth waters off Victoria's coast, representatives from this government have said to them, 'Hey it's not our jurisdiction; take it up with the federal government.' Given Victoria is meant to share responsibility for, say, mining licences under the joint authority, with regard to oil and gas projects how exactly does the state Labor government share responsibility as part of a joint authority?

**Lily D'AMBROSIO:** Is this for gas exploration, sorry?

**Aiv PUGLIELLI:** Yes, for oil and gas projects.

**Lily D'AMBROSIO:** Or onshore, offshore?

**Aiv PUGLIELLI:** Offshore.

**Lily D'AMBROSIO:** Offshore – okay. Certainly in Commonwealth waters NOPSEMA is the Commonwealth authority that in a legislative sense has authority to manage exploration licence applications, extraction and the safety around those matters. We do get consulted certainly as part of the regulatory process. As you would appreciate, any gas that is extracted offshore from Commonwealth waters needs to enter pipelines. Those pipelines cross Commonwealth waters and of course come into state waters and then onshore. There is that complementary relationship certainly there.

**Aiv PUGLIELLI:** I do understand the point you are making. In terms of the consultation you have just referred to, in terms of power arrangement between the two governments, are you effectively forced to do whatever the federal minister wants with respect to these projects, or have you ever used your role in the joint authority to refuse a project?

**Lily D'AMBROSIO:** I will get advice on this. I am not sure that I have the authority to reject. But in any case, can I say that where we can find gas, whether it is in Commonwealth waters, state waters or indeed onshore – and I have explained the geology of all of this – it is going to be important for us to continue to source supplies of gas. That is really critical, because this is not like turning a tap on and off. The fact is we are going to need gas resources for many years to come. That is really critical for us to consider when we are having these discussions.

**Aiv PUGLIELLI:** To clarify the response you have just given, so you have not ever refused a project under that joint authority?

**Lily D'AMBROSIO:** I do not believe I have, no – not in the time that I have been minister.

**Aiv PUGLIELLI:** Thank you, Minister.

**Lily D'AMBROSIO:** I will double-check that, but I do not believe that I have.

**Aiv PUGLIELLI:** I would appreciate that, thank you. I understand the federal government has made special permits for seismic blasting projects that effectively override state authority and the annual bidding process. Have you ever made complaints to your federal colleagues over that fast-track process, considering that its responsibility otherwise would share oil and gas projects?

**Lily D'AMBROSIO:** I do not believe that I have ever raised any concerns. What I can I say to you is that our government and certainly this Commonwealth government are very clear in the importance of environmental impacts, if any, of activities offshore. What is important of course is that we can be confident that with seismic blasting and surveys being carried out there is independent scientific advice to say that there are no major impacts that we can understand on particular wildlife, and I think it is important for us to understand that. But of course we always need to be careful with these things, and that is why identifying risks and requiring proponents to mitigate those risks is important. Curtin University found in recent work that they did that while seismic surveys were being carried out there were no major changes, for example, to the migratory route of humpback whales and acoustic levels of air guns are similar to the acoustic levels of sperm whale and bottlenose dolphin clicks. CSIRO also found there was no clear or consistent relationship between seismic surveys and subsequent fisheries catch rates in the studies it carried out. Obviously there are two areas of concern: one is environmental impacts on wildlife, the other one is on agriculture.

**Aiv PUGLIELLI:** I have just got to move on quickly, Minister.

**Lily D'AMBROSIO:** Yes, sure. Thanks.

**Aiv PUGLIELLI:** Back to the VEU. Discounts under that scheme act as a carrot, I guess, to your *Gas Substitution Roadmap* program, but the state government also has stick options for effectively knocking off gas at the source. I understand this year the government is investigating end-of-life deadlines for gas products. I just ask: what is the status of that regulatory impact statement? Where is it up to, and when will it be completed?

**Lily D'AMBROSIO:** Thank you. I really do want to say that this is a journey and it is a long journey, and we need to plan for the future. The workaround options in terms of the future of gas appliances in a home or a business are options for consideration and for consultation. We are not predetermining any government position by simply having that work undertaken. That is really critical here. And we want to hear from communities, and we want to hear from industry.

**The CHAIR:** Thank you, Minister.

**Lily D'AMBROSIO:** Time is gone. Sorry about that.

**The CHAIR:** We will move on to Mr Hilakari.

**Mathew HILAKARI:** Thank you, Minister, Secretary and department. I am actually going to be sticking with the Victorian energy upgrades, and I will take us to budget paper 3, page 30. It outlines key government objectives including electrification, energy affordability, emissions reduction targets and reliability. I am aware that this program has been up and running since 2009. I am just hoping you can talk to how this program has helped to achieve government goals that have been outlined here.

**Lily D'AMBROSIO:** Yes, thank you. The Victorian energy upgrades program, whilst it is not the only white certificate scheme operating in the country and there are other states that are doing their versions of VEUs, it is certainly I would suggest the biggest. It is our flagship energy-savings and emissions reduction program. It has been a massive success, saving households and businesses thousands of dollars, reducing energy use and reducing greenhouse gas emissions. I want to say also that even for those people, households or businesses who do not directly participate in the VEU program, there are actual dollar savings on their energy bills anyway, and I will explain why that is the case. So everyone benefits here. In 2023 more than 506,000 homes and 24,000 businesses received upgrades through that program; that is just in that year alone. More than 2.4 million Victorian energy consumers have taken advantage of the program since it first started. Nearly 2.3 million households have participated since 2009 and have saved over \$2 billion on their energy bills collectively.

**Mathew HILAKARI:** That was billion?

**Lily D'AMBROSIO:** Yes. They have saved over \$2 billion on their energy bills.

**Mathew HILAKARI:** Wow.

**Lily D'AMBROSIO:** That is quite significant. Over 170,000 businesses have participated since 2012 and have saved over \$750 million as a result. The average household that undertakes energy efficiency upgrades under the program can save anywhere between \$120 and \$1100 on their annual energy bills, depending on the upgrade that they take. Depending on the size of the business and the upgrades that they undertake, a participating business can save between \$500 and \$74,000 on their bills, so that is quite considerable. I am happy to go into more detail or examples of all of that.

But in terms of the emissions – because I know that you are interested in reduced emissions – across the life of the program, the program has reduced emissions by over 84.5 million tonnes, resulting in over \$4.1 billion of cumulative energy system benefits. The emissions reductions are obviously really critical, but we know that we can help with energy bills at the same time of course as reducing emissions, and that is why this program works so well for Victorians.

**Mathew HILAKARI:** And those savings just do not stop, right?

**Lily D'AMBROSIO:** No, they do not; they keep going.

**Mathew HILAKARI:** Every single year the savings just keep going. It is a fantastic program. I understand the budget papers refer here to a strategic review to deliver an updated Victorian energy upgrades program. I am just hoping you can talk to how this will help save more money for Victorians, because this is a great objective.

**Lily D'AMBROSIO:** The budget does include some investment, some money, for us to do a strategic review into the VEU. We remember that the VEU was first legislated I think in 2007, and it kicked off operationally in 2009. A lot has changed over that period of time. We have gone from a VEU program that has done fantastic work in massively changing the market for I suppose what you would call low-hanging fruit – improvements to lighting and the like. That has meant that through that push we have seen fantastic improvements to lighting upgrades in terms of what the standard is available in the market now. Now of course it is needing to go and evolve to the next step to help people to look at electrical appliances and helping to provide discounts to them to continue to save dollars on their energy bills by moving from gas appliances, which are very expensive to run annually and put really significant cost pressures on people's bills, to opting for electric appliances that can be provided through discounts.

Everyone benefits from this because the VEU is driven by energy efficiency. When you reduce the amount of energy that you consume, you have got less electricity that needs to go through your poles and wires, and that means lower costs for all households, whether they are actually directly using the VEU program or indirectly. There are benefits there for everyone, so we want to make sure that that strategic review makes the VEU fit for purpose and modernised to continue to work and provide those savings for Victorians into the future.

**Mathew HILAKARI:** I know you mentioned earlier the Victorian government's gas substitution goals. How is the VEU engaged in that process, or is it part of that process at all?

**Lily D'AMBROSIO:** Yes, well, certainly the *Gas Substitution Roadmap* – the first one that we released in July 2022 and the update that we produced late last year – indicates several initiatives and programs that the Victorian government is undertaking to drive that road map if you like and deliver the outcomes that we want. The VEU is an important component – one of the pillars – of that road map, and that is energy efficiency. It will continue and it will increase the work that needs to be done to continue to drive energy efficiency in Victorian homes and businesses.

Again this is a program that works. It has been proven to work for energy consumers in saving on their bills and helping them get access to those discounted products. If someone's gas hot-water system breaks down, why wouldn't you want to help that Victorian at the end of life of that appliance to get a heat pump? Not only have you got the rebate coming in from the Victorian government – that is one source of funds from the budget – but also an additional discount is coming in through the VEU program. It just means that it is much easier for people to be able to make that switch and get those dollar savings – an average of \$400 a year on their energy bills each and every year. It is not a one-off; it is each and every year. It is one-off on the purchase and installation, but each and every year for those Victorians on their bills.

**Mathew HILAKARI:** And there is no good time for your hot water to break down, so it is great that we are supporting people at that time of need.

**Lily D'AMBROSIO:** Well, you are going to be up for the cost of a replacement anyway if it is end of life, so why not actually help you and cushion that cost by giving you the rebate – up to \$1000 from the Victorian government – plus the discount from the VEU? You do not need to be out of pocket to actually get ongoing bill savings. That is what is driving us, and that is why the strategic review will continue to deliver further savings for Victorians.

**Mathew HILAKARI:** You mentioned large energy users. What sort of industrial-size technology is available through the program, because we have big energy users in Victoria but we do not want them to miss out?

**Lily D'AMBROSIO:** I have got some examples of big energy users, but certainly just a couple of weeks back I announced some investment, \$1.5 million, to support businesses that use large amounts of energy to undertake feasibility studies on replacing gas-intensive appliances with efficient electric alternatives, and the



really good thing is that there are alternatives here. I do want to say that not all businesses are able to electrify easily. For some, they will continue to need gas as a speed stop for a lot of their businesses. For others electrification is an important avenue for them, but the up-front cost might be unknown to them to swap out to electric appliances, and that is why these grants are really important, because they are targeting large energy users in Victoria – that is, large gas users – for them to work out if it is feasible for them to look at alternatives for them that will give them those ongoing bill savings each and every year, and I know that this has been warmly welcomed by those big businesses.

If I give some examples of how businesses, big businesses, have benefited from the VEU program and our support, HW Greenham & Sons is a family livestock business, large scale; that is in Tongala. They took advantage of the VEU program to reduce their reliance on inefficient gas-fired hot-water generators, and the business installed cogeneration units running off a combination of biogas from the site's wastewater treatment system and natural gas. It was about reducing their reliance on expensive gas. The project is expected to save the business \$800,000 every year on their energy costs. GT Orchards in Tatura grows fruit across 125 hectares, and they upgraded their irrigation pumps to a higher efficiency model, saving that business \$4500 per year in electricity costs. The VEU is there for everyone – small, large, households, businesses. It is delivering results.

**Mathew HILAKARI:** Thank you, Minister.

**The CHAIR:** Thank you very much, Minister. Thank you, Mr Hilakari.

Minister and officials, the time for the session before the committee today has come to an end. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is now going to take a break before beginning its consideration of the State Electricity Commission portfolio at 10:15 am.

I declare this hearing adjourned.

**Witnesses withdrew**