

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2014–15

Melbourne — 21 May 2014

#### Members

Mr N. Angus

Ms J. Garrett

Mr D. Morris

Mr D. R. J. O'Brien

Mr C. Ondarchie

Mr M. Pakula

Mr R. Scott

Chair: Mr D. Morris

Deputy Chair: Mr M. Pakula

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr R. Northe, Minister for Energy and Resources,

Mr H. Ronaldson, Secretary,

Ms S. Dennis, Deputy Secretary, Energy and Earth Resources,

Mr M. Feather, Executive Director, Energy Sector Development, and

Ms K. White, Executive Director, Earth Resources Regulation, Department of State Development, Business and Innovation.

**Necessary corrections to be notified to  
executive officer of committee**

**The CHAIR** — I declare open the estimates hearing for energy and resources, hearing no. 31 in the 2014 estimates process. I welcome the Honourable Russell Northe, and from the Department of State Development, Business and Innovation the Secretary, Mr Howard Ronaldson; Deputy Secretary, Energy and Earth Resources, Ms Sandra Dennis; Executive Director, Energy Sector Development, Mr Mark Feather; and Executive Director, Earth Resources Regulation, Ms Kylie White.

As has been the practice in recent years, this hearing is being webcast on the parliamentary website. In accordance with the guidelines for public hearings, I remind members of the public gallery that they cannot participate in the committee's proceedings in any way. Departmental officers may approach the table during the hearing to provide information to the minister or other witnesses if requested, by my leave. Written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the media are requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing are not protected by parliamentary privilege, including any comments made on social media from the hearing itself. The committee does not require witnesses to be sworn, but I remind you all that questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for fact verification within two working days of the hearing. The PowerPoint presentation will be placed on the committee's website as soon as it becomes available. Verified transcripts will be placed on the website within five days of their receipt.

Following a presentation by the minister, committee members will ask questions relating to this inquiry. Generally the procedure to be followed will be that relating to questions in the Legislative Assembly. Sessional orders provide a time limit for answers to questions without notice of 4 minutes, while standing orders do not permit supplementary questions. It is my intention to exercise discretion in both matters. However, I do request that each answer is as succinct as is reasonable, recognising that often we are discussing matters of some complexity.

I ask that all mobile telephones be turned off or to silent. The minister now has an opportunity for a brief presentation of no more than 10 minutes on the budget estimates for the energy and resources portfolio. Welcome, Minister.

#### **Overheads shown.**

**Mr NORTHE** — Thank you, Chair, and thank you for the opportunity to present this morning. If I can, first I would like to talk about the earth resources sector, a very important sector to Victoria's economy. There are around 7700 highly skilled jobs in the earth resources sector, contributing something in the manner of \$6.5 billion to GSP. Victoria derives approximately \$46 million in royalties from our earth resources sector, but it is much more than just money or economy; it is about supporting local communities, particularly in our regional areas.

Earth resources as materials, whether they are concrete, bricks, pavers and roofing tiles, roads, ports, bridges, schools and hospitals, all make a significant contribution to building a better Victoria. Indeed in the latest budget that was handed down, the infrastructure investment is profound and therefore the sector is absolutely critical for Victoria moving forward. Melbourne's population is forecast to increase by 4.3 million people by 2051, with additional dwellings required to accommodate this growth. Victoria's strong extractive industry, located close to its market, is equipped to meet ongoing demand for commercial building and construction materials.

Also, known earth resources of brown coal are around 65 billion tonnes — second largest in the world. As many people in this room would know, it contributes around 90 per cent of Victoria's electricity needs. We have to find new ways to utilise resources such as brown coal, and I will talk further about that in my presentation. Of course natural gas is a very important commodity to Victoria. Through the Gippsland Basin in Bass Strait we produce around 90 per cent of Victoria's gas production through those resources. We anticipate

around 5 million ounces of gold and 425 000 tonnes of copper, with indications of giant copper deposits in western Victoria, and again I will talk about programs in my presentation that seek to pursue those particular commodities. There are 550 000 tonnes of zinc, 88 000 tonnes of lead and 350 million tonnes of coarse deposits of mineral sands.

As a government what we want to ensure is that industry knows Victoria is open to business and to resource projects, and we have some exciting new projects coming online in Victoria potentially. We have the Stockman copper mine, which is part of the Independence Group. The recommissioning of the 1990s underground mine in Benambra has potential for 250 new jobs and a 10-year mine life. Big Hill in Stawell in western Victoria is a proposal for an open-cut gold mine with a mine life of up to five years. Without that particular development, the Stawell gold mine would close in 2014 with a loss of around 100 jobs. There is an environment effects statement on public exhibition now for those particular projects. Also now in East Gippsland there is a proposal for an open-cut iron ore mine as well. Again, they will be subject to all the regulatory regime in place, but that is just an indication of some of the opportunities in the future.

With respect to the energy sector in Victoria, generally we have a competitive and efficient market, which provides low-cost energy services to Victorian householders and businesses. There are around 14 700 Victorians employed in the sector. We have 17 active retail electricity providers and 10 active gas retailers, which results in a very diverse retail market that provides choice for consumers — and there is lots of choice for consumers in this space. As a result of some of our other initiatives, which I will talk about during the presentation, we have seen many consumers switch retailers — around 30 per cent in 2013. That is indicative of a very competitive market. We have a stable and secure energy supply and a large excess generation capacity.

In terms of electricity, Victoria consumed 54 500 gigawatt hours of electricity last year. Interestingly demand is falling as Victorians get more energy efficient, but peak demand is still a concern for us. There are around 2.33 million residential customers, which is increasing.

With respect to gas, consumption is 273 petajoules and increasing. There are around 1.8 million residential customers and 52 000 business customers. There will be an increased availability of mains gas through the rollout of new pipelines in Victoria. Low energy costs make life easier for local businesses and the local economy. Natural gas is around one-third the price of bottled gas. This means that households will now be able to save on their energy bills. Having said that, we know of pending challenges into the future, and I will talk about some of the government initiatives in this space later in my presentation.

With respect to renewables, solar panels have obviously increased in popularity over preceding years. There are now around 200 000 solar energy users. Approximately 32 000 of those users installed solar panels in 2013. Also, the system size is increasing as the technology costs are reduced. With respect to wind, currently in Victoria we have 13 operational wind farms and 13 under construction, with 2500 megawatts approved. The potential value of approved wind projects in Victoria, should they all proceed, would create around 2000 jobs in construction, with 200 jobs ongoing, and a total potential value investment of around \$5 billion.

I will move on to energy capacity and what I mentioned earlier in my presentation about peak demand, which is a challenge. By the same token, Victoria is well placed to deal with our system. For example, in January we had a heatwave, which provided an excellent case study for us to understand how our system works at maximum capacity. As I say, reliability is underpinned by coal generation, and the average usual demand is around 132 000 megawatts an hour. In Victoria this year we had four days over 41 degrees Celsius. From a renewables perspective, whilst they equate to approximately 11 per cent of our generation, in reality they had little impact on assisting with our peak demand at that point in time. Our system worked well during that peak time, and the clear message from our government is that our prosperity relies upon our strong electricity network. While demand is increasing — as I say, peak demand continues to rise — this is something we need to consider when ensuring that we have a balance across the network with regard to reliability and also safety.

I will turn now to some of the key budget initiatives in the energy and resources portfolio. The first key budget initiatives for 2014–15 covers national energy market reform, which delivers on Victoria's obligations to support national energy markets and support important energy market and gas market reforms, which will be critically important over the coming period of time. In this budget, there is \$10.5 million over three years, and this covers Victoria's obligations through COAG to fund the Australian Energy Market Commission to the tune of \$4.92 million, support for the national energy market reform with \$1.85 million and support for gas market

reform. As I said, Victoria will deliver on agreed funding obligations to support the AEMC, the Australian Energy Market Commission, as part of our Australian energy market agreement.

National energy market reform is also vital to ensuring that we have effective national market institutions. We will participate actively in national energy market reform to ensure that Victoria's interests are protected, whether this involves improving the regulatory framework of the energy market, maintaining our competitive energy market or making sure we maintain consumer protections. First and foremost we need to look after Victoria's interests, but having said that, we will continue to support national energy market reform while ensuring that Victoria's interests are protected and, as I say, particularly ensuring that consumer protections are maintained.

The next key initiative through our 2014–15 budget is \$4.7 million to enhance the My Power Planner tool. This has been a highly successful initiative, and more than 60 000 Victorians have used this tool to find ways and means to save on their electricity bills. The average My Power Planner user has the potential to save up to 25 per cent on their electricity costs if they switch to a new plan, which on average is around \$350 a year. Through this enhancement, which will add retail offers for gas and solar feed-in rates, Victorian consumers have access to Australia's first one-stop shop to help them save money on energy bills. A recent exit survey of the site showed that 40 per cent of users had found a better tariff and would switch retailers.

I conclude with the third initiative, our TARGET initiative, which is a \$15 million commitment over four years to reinvigorate the mining sector. It seeks to accelerate investment in minerals exploration and development, working with the industry through co-funded grants for on-ground exploration activities. We are committed to building a strong and sustainable earth resources sector. The TARGET initiative that we announced through the budget will clearly signal to prospective businesses that we are open for business. I will leave my presentation there, Chair.

**The CHAIR** — Thank you, Minister. We have until 10.15 a.m. for questions. As is usual, I will start. Minister, could you outline to the committee the budget initiatives in this portfolio which will contribute to the growth of Victorian jobs, both in the coming year and over the forward estimates period?

**Mr NORTHE** — I have just given a brief outline of some of our initiatives, which include the TARGET initiative. Ultimately, eventually, that is a grassroots program for which we are seeking to enlist the support of the sector to be involved with government in understanding what commodities we have.

There are other programs, such as the advanced lignite development program. Just last week I had the opportunity, in consort with the Deputy Premier, to make a significant announcement in the Latrobe Valley. The Advanced Lignite Demonstration Program is a joint partnership between the state and commonwealth governments. In August 2012 an announcement by the then federal Labor government and the Victorian coalition government of a \$90 million program through the advanced lignite demonstration projects — \$45 million by both the state and federal governments — sought to look at ways we might be able to utilise brown coal in different forms with different end products. Historically brown coal as a resource in Victoria has been primarily used for the production of electricity generation, but we know over a period of time there are other opportunities to use that resource for other commodities. Whether it be fertiliser, whether it be in manufacturing through alloys et cetera, there are significant opportunities for brown coal to be used in other technologies.

We were pleased last week to announce that Ignite Energy and Coal Energy Australia have been successful applicants through that particular program. We were pleased to meet with them out at TRUenergy Yallourn to announce \$20 million for Ignite Energy as part of an \$84 million project. They seek to use the resource to develop and demonstrate a number of different products through the processing of brown coal, including synthetic crude oil, other high-quality oils and upgraded coal that can be used in the production of steel. We anticipate through that that around 130 jobs will be created through the construction phase and 39 jobs through the operations phase. That is a great outcome and a terrific program from which there is a real outcome of jobs and growth to our economy.

The second project is through Coal Energy Australia — a \$30 million commitment from our government through the advanced lignite demonstration project program. This is part of a \$143 million project, which is massive. Again they will look at upgrading their coal for other purposes, including steelmaking, fertiliser and

soil conditioner. Through that construction phase we anticipate around 180 to 200 jobs during construction and 120 to 130 jobs through the operational phase. That is but one of many initiatives through the programs that we have put in place that seek to utilise our resources through other commodities.

I might say, if I can take the liberty, Chair, that it is important we do these types of initiatives for Victoria's best interests in the long term. What we do not want to do as a state is import commodities and products that we actually have available to us in our own state. I think through the advanced lignite demonstration project that we are going to have some great outcomes not only for the Latrobe Valley community and the Gippsland community but also for Victoria as a whole.

**Mr PAKULA** — Minister, I ask you to turn to page 326 of budget paper 3, which relates to the matter of stability reviews by the Technical Review Board for Latrobe Valley coalmines. The budget paper indicates that only three reviews are planned to be undertaken in 14–15, the same target as 13–14. If you go back through previous budget papers, the 10–11 actual and the 11–12 target was for there to be six such reviews. Given the Hazelwood mine fire earlier this year and the quality of the government's response to it, I am wondering why there is such a paucity of reviews of the stability of the mine compared to those carried out in previous years.

**Mr NORTHE** — In terms of the measures that you referred to, obviously some measures have altered over a period of time. My generic comment would be to make sure that we have a more streamlined approach in terms of the targets that are required as a consequence of that. That has been through a thorough process to ensure that the measures we have in place actually are relevant in terms of what we had previously. In terms of that, that is my generic comment on that.

In terms of the Technical Review Board, what I would say is that I am very much supportive, as the local member as well, of the implementation of the Technical Review Board, which was actually instigated by the former Labor government at a time when there were some issues within the mines themselves at that particular period of time. We support the work they do, and we support the reviews they undertake with respect to mine stability.

What we have done as a government is, in the 2013–14 budget, that we allocated \$4.2 million over a period of two years to address some of the issues and recommendations that have been put forward by the Technical Review Board. That is around making sure that we are developing stronger stability monitoring and risk management processes within the mines themselves and also not forgetting that the department also has a role with respect to monitoring as well and being part of that discussion with the Technical Review Board. Through that funding that we have allocated over the period of two years, we have developed a ground control management guideline for the mines in the Latrobe Valley, so better understanding the best practices for control and management of land movement resulting from mining operations within the brown coal sector.

Another outcome of that is reviewing the rehabilitation liability for our mines. This project will determine and agree the current rehabilitation liability over the life of the mine and agree upon the methodology for ongoing liability assessment addressing any deficits.

There is also field research being undertaken on the geotechnical processes. This project will provide guidance for further geotechnical research within the Geotechnical and Hydrogeological Engineering Research Group at Federation University to provide improved information to enable better quality geotechnical modelling by the three mines. It is making sure that we obviously build better capacity around this within our department and making sure that we also have the key expert people being able to provide advice on that.

I might say in relation to this work that, whilst you might contest in some sense the number of reviews being undertaken, there are monthly compliance meetings with the mine managers themselves and technical staff. There are the geotechnical audits that we go through. There are the six-monthly and annual declared mines reports focussed on geotechnical and hydrogeological risk, so we are dealing with that on a global basis.

The mines themselves also do a hell of a lot of work in terms of their monitoring and working with the department and working with the Technical Review Board to make sure there is absolute scrutiny of the mines themselves. Of course it is imperative that we have that mine stability going forward, so the work the Technical Review Board does is very, very important, but I make the point too that through our department we are working very closely with them to make sure that we have good outcomes with mine stability across all Victoria, including the mines in the Latrobe Valley.

**Mr PAKULA** — Minister, I found some of your comments interesting. You indicated that these Technical Review Board reports were initiated at a time when there were some issues with stability of the mine. I would have thought there were some issues with stability of the mine right now. It is one thing to have generic comments and to talk about the streamlining of the process, but the fact is that the stability of the mine has never been a more pressing issue than it is right now for the local community. In those circumstances, do you not think that the government ought to in this budget return to their previous levels the number of stability reviews that the Technical Review Board carries out, rather than focusing on streamlining?

**Mr NORTHE** — I make the point that when I say ‘streamlining’ it is streamlining our measures going forward. Nothing is compromised by our measures; we are just streamlining the number of measures we might have. The second point I would make is — and I think the point has been missed, with respect, Mr Pakula — in terms of the work the Technical Review Board does in consort with the mines themselves and also with our department. I think if you have a look at some of the work that the review board has undertaken in the last 12 months, they have done the Hazelwood mine northern batters review report. We have done the Hazelwood mine overall batters review report, and we have done work for Loy Yang as well. We have done work in Yallourn mines and Hazelwood mines where there has been some identification of some potential issues and risk. We are working collectively with not only the Technical Review Board but with the operators of the mine to make sure we do have absolute vigilance over the course of any queries around mine stability. We are absolutely doing that, and we are committed to continuing to do that. It is absolutely imperative that we do this work, and that is what we are continuing to do.

**Mr ANGUS** — Minister, I refer you to budget paper 3, pages 48 and 49, and also, as noted in your presentation, the TARGET output initiative. Can you elaborate further for the committee on the \$15 million the government is providing to accelerate investment in Victorian minerals exploration and development?

**Mr NORTHE** — This is a very key initiative for our budget for 14–15. A new initiative, as you describe it, is what we are calling TARGET. What it really seeks to do is try and accelerate investment in Victorian minerals exploration and development. As I said in my previous comments, I think it is incumbent on us as Victorians to understand what commodities we have and try to develop them in a respectful manner, having regard for environment and community. I do not want to see Victoria becoming an importer of commodities in the future. Through the Victorian state budget that we have announced, there is an enormous focus on infrastructure. We have got to make sure that as a state we have given regard to the commodities that are going to help us build that infrastructure, so it is a very important project.

If you go back in time through 2007 to 2010, effectively there was only \$5 million on the table to try and elicit such development, so this \$15 million in funding over a period of four years is actually three times greater than the money that had been put on the table by the previous government. Again, in context, when we are competing with other jurisdictions in other states, it is important that we send a signal to industry that we are amenable to working with them. This is a co-funded arrangement — a one-for-one basis to which it will apply. We have got to make sure we are not allowing other jurisdictions to get ahead of us in terms of developing such commodities, because the long-term cost to us as a state would be profound. So what we are seeking to do through this program is to try and build up a strong and sustainable mining industry and at the same time create more jobs, which is particularly important from a regional Victorian perspective.

As I say, this work will be co-funded. It is exploration work, by the way. It is about working with companies in trying to find new mineral resources across our state. There is a particular focus in understanding that in the north-east, the north and the west there are opportunities to have a look at commodities. We know the rich history that I guess Victoria has, through the gold rush and otherwise. Some would suggest there are opportunities to go back into this space again in the future.

This is a \$15 million project over a four-year period. It builds on some of the other work that we have already done in this space. The Economic Development and Infrastructure Committee made a number of recommendations to government about greenfield exploration. This builds on top of that. But within that report the committee identified, for example, the PACE project in South Australia, which is similar. I guess we have modelled this initiative similarly to that and have been able to put our money where our mouth is and provide that \$15 million over four years to try to work with companies to identify commodities.

It is important to know that the next phase of this is making sure that, once we understand what is in the ground, that will be publicised so that prospective companies will obviously be able to understand. For example, if there is a particular commodity in western Victoria, that will be publicised for use in the future as well.

**Ms GARRETT** — To continue the line of questioning regarding the Technical Review Board, I refer you again to page 326. I note that the budget states that three stability reviews were actually conducted in 2012–13, and we know the Technical Review Board reports annually. Given the extraordinary anxiety and tensions around what has occurred at Hazelwood, why did you hide the 2012–13 annual report of the Technical Review Board for eight months and only upload it a couple of days ago onto the departmental website?

**Mr NORTHE** — Thank you, Ms Garrett, for the question. I do not accept the premise of your question, by the way.

### **Members interjecting.**

**Mr NORTHE** — How quickly, yes. I take up your comments. Going through, mine stability is a major concern for all of us; for those of us who have mines in our own electorates it is an enormous issue. No doubt we have had some challenges, and it has had no political boundaries, unfortunately, when some incidents have occurred. For example, at Yallourn in 2007 the La Trobe River entered the Yallourn mine. That was under a Labor government. I do not blame the Labor government for that occurring. Unfortunately that did occur, and as a consequence of that, the Technical Review Board was initiated. That is something that I supported.

We are about making sure that we support the Technical Review Board, and we are making sure that we invest money with respect to mine stability. As I say, that is why in the 2013–14 budget we allocated \$4.2 million to address some of the risks that were identified by the Technical Review Board. That does not mean that nothing happened in previous times. The department has worked very closely with not only the Technical Review Board but the companies themselves, not only identifying some of the risks but managing those risks going forward. It is incumbent on all of us to try to work together to ensure that we address some of those challenges.

I have just raised, through my previous answer to Mr Pakula, some of the initiatives that have been undertaken across the whole breadth of mines, and again working in consort with the mine owners and the departments on making sure that we address some of the issues that have been raised. The Technical Review Board does a very critical job in this space. It has identified some risk areas, which we are addressing, and we are supporting the Technical Review Board through that.

Whilst I am not going to use the excuse that I have been a minister for only a short period of time, one of my first roles as the minister was to make sure that I had a look very closely at the report provided to me by the Technical Review Board, and once I had done that I made sure it was released publicly at the time. So there is no agenda to hide it. I have been in this position for 10 weeks, I think — somebody can correct me if I am wrong — but I would have thought that I released that report in a timely manner, given my time in this particular role, and I was keen to do so because the Technical Review Board does very important work.

**Ms GARRETT** — Ten weeks as minister and already able to say you do not accept the premise of the question — a very good start! But I note that you are a representative of this government, which has not uploaded that report for eight months. I ask you as a new minister, given that you have accepted it is important that those reports are made public, will you also release all other reviews and briefings produced by the Technical Review Board for that period?

**Mr NORTHE** — Can I just ask if you specifically are referring to a particular one?

**Ms GARRETT** — We note, as I said in the initial question, there have been three reviews and reports done, as referred to in the budget papers at page 326, and other briefings and reports that you have referred to. Will you make those publicly available?

**Mr NORTHE** — Obviously at this point in time I have not read every single brief that has come to my attention, particularly on past history. That is a question I will take on notice.

**Mr O'BRIEN** — I would like to refer you to budget paper 3, page 231. I note there under 'Delivery of key milestones for the powerline bushfire safety work program' that the expected outcomes and targets have been

achieved at 100 per cent. I ask in relation to the powerline bushfire safety program, how is the capital aspect of the program expected to progress through the 2014–15 year and beyond?

**Mr NORTHE** — Thank you, Mr O'Brien. That is a very important question. I am pleased to say that works are progressing within the powerline bushfire safety program. As members would know, post the tragic events of the Black Saturday bushfires in 2009, the royal commission report made 67 recommendations. There are two key ones that relate to powerline bushfire safety: recommendations 27 and 32. They refer to making sure that in high bushfire risk areas there is a replacement program for overhead powerlines to mitigate bushfire risk. The program that we announced is a \$750 million program over a 10-year period which is referred to within the royal commission report. Digressing slightly, recommendation 32 also talks about the replacement of automatic circuitry closers on 22-kilovolt feeders as well.

There has been a lot of work done. As I said, the funding the Victorian government has contributed in this budget and over the forward estimates is \$200 million as part of the powerline replacement fund. There is \$40 million allocated towards what is called the Local Infrastructure Assistance Fund, and there is \$10 million with respect to research and development.

With regard to the powerline replacement fund — again, this is replacing powerlines that were identified by the fire services commissioner as being in high bushfire risk areas — as at March of this year there has been \$43 million committed to undertake some of that work. Around 145 kilometres of bare wire powerline in the highest bushfire risk locations in the state are in various stages of replacement, and of this amount approximately \$42 million is for high-voltage powerlines owned by electricity distribution businesses. Those bare wire powerline replacements have commenced in those highest priority areas, such as the Otways, the Dandenong Ranges and the Warburton district.

It can be done in the form of replacement with aerial bundle cable or underground cabling, and that is up to the applicants to understand what might be best suited. I have witnessed firsthand in some areas the replacement of overhead powerline with aerial bundle cable and in other areas with undergrounding. It is a really important project not just for those local communities nearest to those replacements but for those communities far beyond, given the spread of bushfires. The primacy of life is the main reason we are doing this but also to make sure there is protection of major assets in our communities as well.

The Local Infrastructure Assistance Fund is where we are providing backup generators to care facilities in the event that the power is cut off, and again it is in those identified high bushfire risk areas that we are replacing or providing generators to those care facilities. I know that has been extremely well received by those care facilities over a period of time.

In the research and development phase, we currently have a trial that is running at Frankston with what is called the rapid earth fault current limiter, and that provides enormous opportunities potentially in the future to better manage bushfire risk when it comes to our powerlines across Victoria.

We are proud as a state to be able to initiate some of these really important measures. I know the local communities that in my short time as minister I have had the opportunity to visit are absolutely thrilled. It is giving those communities comfort. The knowledge that we have been able to do what we have been able to do with the distribution businesses has been really comforting for all concerned. We look forward over the next period of time to continuing to roll out initiatives such as this, but from a practical sense the work has started. We are doing the work right here and now, and that is great to see.

**Mr PAKULA** — Minister, I want to stay on this question of Technical Review Board reports and make reference to the annual report from 2012–13, which has recently been uploaded. Page 9 of that report says the following:

The TRB concluded that the situation with regard to mine stability had reached a serious state.

...

Towards the end of the 2011–12 reporting period, the TRB elevated its concerns to the highest levels within industry and government and formulated a range of initiatives for addressing the issues in going forward.



Then it went through the six principal initiatives, including contingency planning and rehabilitation. The report then refers to the board's meeting on 23 to 25 April 2013, where the board framed recommendations re the Hazelwood northern batters. It says there was report to the whole board on 10 May of a discussion with GDF Suez about the Hazelwood northern batter movement. The report also shows that later in May 2013 the board met with the then minister and then wrote to him regarding developments subsequent to the board's annual report of 2011–12.

Given what has now occurred At Hazelwood, I am wondering if you can take the committee through what your predecessors as ministers did to address the serious issues regarding the Hazelwood northern batter, given the number of times it has been raised with the government by the board through 2012 and 2013.

**Mr O'BRIEN** — On a point of order, Chair, it is obviously a serious matter in relation to Hazelwood, but this is the budget estimates hearings and the extent of technical detail in relation to that may be a better question for another inquiry rather than this inquiry into the budget estimates. My point of order is relevance.

**Mr PAKULA** — On the point of order, Chair, we have already had a number of questions in regard to the Technical Review Board report into the Hazelwood northern batters. I can understand why Mr O'Brien may want to shut this line of inquiry down, but it is a line of inquiry that has already been pursued by this committee for the last 40 minutes. It is relevant to the number of Technical Review Board reports which are carried out. They are noted in the budget papers, not just for 2013–14 but for 2014–15, and it is an entirely legitimate line of inquiry. As to the level of detail, the minister can answer to the extent he is capable of answering.

**Mr O'BRIEN** — Further on the point of order — —

**The CHAIR** — I have not ruled on the first one yet. I do not uphold the point of order. It is clearly a matter within the minister's portfolio and clearly a matter linked to the budget estimates.

**Mr O'BRIEN** — On a further point of order, Chair, it is about the third time in recent days that, obviously feeling some frustration, the Deputy Chair has cast aspersions on the motivations of members of the committee, including me, in relation to the motivation for points of order. We are merely seeking to make sure this inquiry remains relevant to the budget estimates, and many of those questions have been well beyond what is related to the budget estimates.

**Mr PAKULA** — Except it is not, because the Chair has just found otherwise.

**Mr O'BRIEN** — On this occasion.

**The CHAIR** — Order! It is entirely legitimate to raise points of order, and it is entirely legitimate to respond, as the Deputy Chair has just done, in terms of the relevance or otherwise. I cannot control every word that members utter in terms of a point of order.

**Mr NORTHE** — In terms of the questions asked, the importance of the Technical Review Board is well known, and I have articulated that in my previous answers. One, I am not going to answer for previous ministers, which I think was one of the questions you asked, but we have put on the table and produced the annual report of the Technical Review Board for all to see. I share concerns that have been raised with mine stability, whether it is on the northern batter of Hazelwood or other identified potential issues that have been raised by the Technical Review Board. As a government and a department we are there to support the work they are doing. It is all there for everybody to see in terms of the work that has been done, and we are committed to supporting that work.

As you would be aware, Mr Pakula, we have announced the board of inquiry that is not only having a look at the Hazelwood mine fire in its entirety but will no doubt inquire into some of the concerns that you have just raised as well. Whilst the Technical Review Board over there is doing its work supported by government and supported by the department, I also anticipate the board of inquiry will look long and hard at some of these measures. I think the assertion in some sense that you make that there have only been 'mine stability issues' now is not the case. That is why I am pleased that, when events had occurred under the previous Labor government, the Technical Review Board was initiated. It plays an important role, and our government has provided not only funding to enable it to do its work, as it has done, but we have released the annual report for

consideration for all to see, and we will continue that work, and side by side the board of inquiry will also have a look at these matters as well.

**Mr PAKULA** — I appreciate that you have only been the minister for 10 weeks, but it is equally true to say that there are four departmental representatives on either side of you. In those circumstances I find it difficult to imagine that you cannot provide the committee with more information than you just have about the government's response to the concerns that were raised about the Hazelwood northern batter. I do not think it is necessarily appropriate that your short tenure in the role is an appropriate reason for the committee not to be furnished with all the information that it can be. Whether you to seek advice — —

**Mr NORTHE** — I never said that. I never used that in my response.

**Mr PAKULA** — No. Minister, you said, 'I am not going to answer for former ministers'. The question was about what the government has done in response to the concerns that were raised about the Hazelwood northern batters.

**Mr ANGUS** — The minister has answered.

**The CHAIR** — Order!

**Mr PAKULA** — This is why we need to reform PAEC.

#### **Members interjecting.**

**The CHAIR** — Are we all done?

**Mr PAKULA** — Can you provide the committee with any information about the government's response to the legitimate concerns that were raised by the Technical Review Board about the stability of the Hazelwood northern batters?

**Mr NORTHE** — In my answer I was not using the excuse of my short tenure as minister to try and avoid the question; I was not doing that at all. There have been matters pertaining to the northern batter and other batters that have been a cause of concern to the Technical Review Board and others for a long period of time. Whether the Technical Review Board has had a role to play within that, it is supported by the government through the funding we have provided, working in consort with our department and the mine owners themselves and getting independent expert advice over a period of time as well.

We know through the closure of the Princes Highway some years ago there was this concern about the northern batter, and it has been an issue for some period of time. I do not think it is any new news. What we have tried to do is obviously try and support the Technical Review Board through the funding announcements. There was a question earlier from Ms Garrett about the annual report. We have not hidden the annual report. As minister, very quickly I would have thought I have made that available for people to see, because it is important information that people are able to view. I am not shying away from the fact at all that we are working with not only the Technical Review Board but also the mining warden and everybody who has a role play with respect to mine stability in Victoria and not just associated with the northern batter.

I will go back to my point. I am sure the board of inquiry that has been initiated by this government as a consequence of the Hazelwood mine fire will look at those matters you are referring to. You use the word 'rehabilitation'. In some sense the rehabilitation of that particular mine — filling the mine with water — has been in place for a long period of time. I think that is something that needs to be revisited at a particular point in time as well. There is a lot of work occurring within this space. We are supporting the Technical Review Board. We are using independent advice and experts to have a look at this, we have over a period of time when there have been issues, and we will continue to support it through the work that obviously has been undertaken by the companies themselves over the past period of time.

**Mr ONDARCHIE** — With Mr Pakula's permission, I would like to ask a question of the minister, if it is all right. Minister, I want to ask you about My Power Planner — you had it on slide 6 — and it is also on budget paper 3, pages 48 and 49. Could you tell us what part the enhancement of My Power Planner plays in assisting Victorians to better understand and participate in the electricity market so they can get advantage of the competitive nature of that market?

**Mr NORTHE** — I think My Power Planner has been a wonderful initiative, and I give credit to the former minister for initiating what is an important provision. Whether you are a householder or a business, there are always concerns about cost of living expenses, and rising electricity prices have been a cause of concern for many Victorians over a period of time. This government has initiated a number of measures to make sure that we keep electricity prices down for consumers. You may remember upon coming to government, Mr Ondarchie, that this government extended the winter electricity concession rate from part of the year to all year round, a massive investment. Unfortunately it was not supported by other political parties, but that had a major benefit for low-income earners. We have initiated things like legislatively closing a legal loophole that would have provided a windfall gain for retailers to the tune of \$94 million. Adding benefits to the smart meter rollout — making sure there are consumer benefits through flexible pricing options — and also having the My Power Planner are just some of the ways and means in which we are seeking to reduce electricity costs for consumers.

In this budget, as the slide shows, we have invested \$4.7 million over three years to bolster the My Power Planner website. To this point in time, even though it is a relatively new initiative, some 60 000 people have visited the site. Many have indicated — around 40 per cent — that they would most likely change retailers, and therefore creating a really competitive market, which was deregulated, by the way, by the former Labor government in 2009. Currently we have around 17 retail businesses operating here in Victoria, and this My Power Planner tool is an important initiative for consumers to jump online to be able to compare options and packages that are available that best suit their needs. It has been a critical tool for people to use, and I think people are voting with their feet by visiting the site.

The \$4.7 million that we are seeking to use over the forward estimates is for a couple of key areas. That is related to making sure that we have on there integration of the gas market, so people can compare gas prices, but also solar as well, which can be quite complex. Adding solar and gas as options, where people can compare prices, is an important initiative. What we are seeking to do as well — and as members would know, the previous minister was very passionate about multicultural affairs — is make sure that we have other languages on the website, so those who may not be that au fait with the English language but more au fait in other languages are able to also go onto the website and use it as a tool to be able to understand what different packages are available for them going forward.

Another important provision is having a functionality where smart meter data can be downloaded, so you can actually get a real sense and understanding of what your usage is and understand what options and tariffs are best available for you going forward. In the bigger scheme of things it is not a lot of money — \$4.7 million over three years — but it will provide an opportunity for enormous savings and a valuable tool for all electricity consumers, and I might say gas and solar consumers, over the next period of time. Being able to have a multitude of languages available where people can have a look at this site, I think you will see the 60 000 visits increase markedly over the next period of time.

**Mr ONDARCHIE** — Did you say the extension of the winter energy concession was not supported by the state opposition?

**Mr NORTHE** — It was a policy that the coalition government took to the election and I do not believe it was supported by other political parties, no. It was a very important initiative.

**Ms GARRETT** — While we are on the topic of reducing or keeping energy prices down for consumers — and obviously that is a particularly important issue for vulnerable and disadvantaged Victorians — I refer you to budget paper 3, page 287, which refers to the Victorian energy efficiency target scheme. There has been significant concern and speculation that your government was about to axe the VEET scheme, and these fears have clearly been realised with your government contacting stakeholders late last night that the VEET scheme will cease as of the end of 2015. Your government's VEET business impact statement — February 2014 but released last night with your announcement — states clearly that the VEET scheme supports over 2000 jobs and delivered greater benefits to disadvantaged suburbs. I note that your announcement has caused significant distress within the sector, and I refer in particular to the CEO of the Energy Efficiency Council, Rob Murray-Leach, who states:

The Napthine government is putting big energy companies' interests ahead of jobs and families.

They admit that they're cutting a program that employs over 2000 people and helps low-income families save energy because it reduces generators' profits.

This decision shows a lack of vision, a lack of leadership, is unfair to families and is economically reckless.

I ask the minister: why have you axed a program that assisted poorer Victorians to lower their energy costs?

**Mr NORTHE** — I do not accept the premise of the question.

**Ms GARRETT** — Is that it?

**Mr NORTHE** — Thank you, Ms Garrett. The Victorian energy efficiency target scheme is a scheme that has served Victorians well; I do not dispute that. But times have changed, and the scheme needs to change from what it currently is. This scheme that was initiated in 2009 basically worked on a three-year cycle, so the objective of the scheme that was initiated in that three-year block was to reduce greenhouse gas emissions in that three-year period by 8.1 million tonnes over a period of time. I guess it was a scheme that cross-subsidised appliances and energy-efficient devices that could be used by householders to reduce costs and become more energy efficient. At the time it was relevant and supported by all sides of government.

When a review was undertaken in 2011 to set the target from 2012 to 2014, the coalition government actually doubled that target — from 8.1 million tonnes of greenhouse gas emissions to 16.2 million tonnes of greenhouse gas emissions for that three-year period. At that time the advice that we received was that if we brought on other appliances that could be used in the scheme and added businesses — we actually added businesses to the scheme — we could meet the target. The fact is that when we had reviewed the next phase of VEET it became very clear that the low-hanging fruit, if you like, had been taken; the options had been taken up.

So you cannot keep rolling out the scheme as it is because the low-hanging fruit has been taken in terms of the appliances. We are not going to meet our targets in terms of the scheme, and the cross-subsidies for those who do not have such appliances are being paid for by those same people. The administrative costs associated with it are profound, and we are not closing the scheme tomorrow. We have said that there will be a transitional period to the end of 2015, which gives ample time for those businesses that are currently working in the industry to look at other opportunities. As a government we will be putting forward other energy efficiency programs that may provide the opportunity for these same people to be able to work in this space. To have some people cross-subsidised, if you like, and others not is an unfair system.

I would suggest that even if you look at water for a moment and where we were in the past, 10 years ago, to where we are now, behaviour has changed. I think behaviour has changed in terms of people willingly undertaking energy efficiency appliances and looking at ways that they can cut costs. I described that earlier in my presentation, that actually demand for electricity has reduced because people have had good take-up of these particular appliances. It has been a good program, nobody disputes that, but we cannot keep doing what we are doing under the scheme because the cost to those who are taking up is significant and the administrative costs are profound. We need to find better ways to provide energy efficiency programs, and that is what we will do. Over the next period of time we will be making further announcements about this, but we want to be running schemes and programs whereby there is not a cost to the consumer and there is not a significant administrative burden. We believe through this VEET has served us well, but in the contemporary world we need to change what we have. You just cannot keep running a program that has been successful on the current form because it just does not work. You need to evolve, and as a government that is what we are seeking to do. Hence we have still got to the end of 2015 during which time we will run the program to provide some certainty for businesses and be able to work with those businesses that look at other opportunities, because there will be other opportunities arise, just not under the current scheme as we have it.

**Ms GARRETT** — By way of supplementary, I note that the regulatory impact statement that supports this scheme was due to be released late last year, and the government has failed to do so. Will you be releasing that publicly forthwith?

**Mr NORTHE** — Last year we announced that obviously we were going to review the scheme itself, so we actually had a business impact assessment of the scheme. That details and outlines absolutely the economics of it all and how that balances. So yes, that will be known.

**Mr PAKULA** — Released?

**Mr NORTHE** — Yes.

**Ms GARRETT** — Released publicly?

**Mr NORTHE** — Yes. It was released last night.

**Ms GARRETT** — It was released last night?

**Mr NORTHE** — Yes.

**Mr ANGUS** — Minister, I want to ask you about gas consultations. I refer to recent commentary from Friends of the Earth spokesman Cam Walker:

... we are impressed that Mr Northe has moved quickly since his appointment to get this process out into the public realm ...

I also refer to budget paper 3, page 231. What community and stakeholder consultation activities are planned in relation to potential onshore gas development in Victoria?

**Mr NORTHE** — I am glad somebody is impressed, Mr Angus; thank you. I guess the onshore gas industry, as a fledgling industry in some sense, has had a bit of a chequered history; there is no doubt about that. I talked earlier in my presentation about the importance of the Bass Strait reserves offshore and the role they play in Victoria. We know that through the 2000s, when there was discussion about onshore gas, particularly coal seam gas, the Labor Party, the government of the day, was very supportive of assisting the industry with this. We know that under the previous government there were around 73 licences approved for coal seam gas, shale gas and tight gas exploration, and around 23 fracking operations were approved. Unfortunately I guess at that time there was a lack of community consultation — virtually no community consultation — as a consequence of that.

Since coming to government we have listened to the concerns that have been expressed by the community and industry and have taken many actions in treading very warily about coal seam gas and potential impacts it may have in Victoria, understanding the fact that each jurisdiction is unique in term of its geological form, and therefore understanding some of the issues that may have arisen in Queensland and New South Wales, for example, and other jurisdictions. But as a government we announced in August 2012 that we would put a ban on fracking, that we would not allocate any new exploration licences that contain coal seam gas. We commissioned Peter Reith to do a gas task force report and report back to government, in particular around gas supply and demand going forward. We have put a ban on BTEX chemicals as part of that process. We have done a number of different things in terms of making sure that as a state we have all the evidence available to us on onshore gas and what it means for Victoria.

Your question was about community engagement. Yes, we did announce in, I think, November last year that as a postscript for the gas task force report we would do community consultation and we would announce in April of this year how that would form. That we did, so a facilitator has been appointed by the department to undertake a series of visits, consultations across the state of Victoria, particularly in those hot spot areas. It is the right thing to do. That facilitation is now taking place. There has been a website established.

I might make the point, Mr Angus, that this is not just a listening exercise; it is an information exercise. It is important that correct and accurate information is available so that communities, industry and people who have an interest in this particular topic are armed with the correct information and have that available to them. That consultation will take place across Victoria over the next period of time, and the facilitator will report back to government, probably in September or October, on the findings.

There may be some common themes that present themselves and common issues that government can consider into the future, mindful of the fact that a moratorium on coal seam gas is in place until July 2015 and that, parallel to that, Geoscience Australia is doing work in this space to better understand watertables and aquifers. That does not mean it dismisses work that has already been done. For example, I can speak from a Gippsland perspective that Southern Rural Water has its water atlas. That is work that is already being done — desktop work that is already being done. I will not dismiss that, but one of the primary concerns, I guess, particularly

from the agricultural sector, is the potential impact upon our watertables and aquifers. The work that Geoscience Australia is doing in this space is very important.

I have met personally with a number of groups already to hear their concerns and to discuss the consultation period. Whether it is the Victorian Farmers Federation, the Minerals Council of Australia, the Committee for Gippsland, the MAV or local groups that have some concerns about coal seam gas — I think you mentioned Friends of the Earth in your question and I am meeting with Cam Walker — we understand, as a government, that there are diverse views and opinions on the development of onshore natural gas. We are listening to those concerns, but we are also doing the science behind that as well with the work being done by Geoscience Australia to better understand the potential impacts upon our watertables. We have said very clearly that we are going to hasten slowly. With that, we are not going to compromise what we have in our regions. It is important that we not only do the consultation with the information and facts but that we also do the water studies and understand the scientific elements of that going forward.

I can announce that on the website, I understand, there is some information that is now available with respect to some of the localities that we will be seeking to attend. Obviously down in the Otways there is a lot of discussion about onshore gas. In West Gippsland there has been discussion. In Gippsland more broadly we know there are a lot of groups that have opinions — —

**The CHAIR** — Minister, I ask you to conclude your answer.

**Mr NORTHE** — In conclusion, this is important work. As I said, as a government we are hastening very slowly, but the community consultation process on this is very important, and facilitators are out and about right now having those conversations.

**Mr PAKULA** — Just a simple question, Minister — a follow-up from Ms Garrett's last question — you describe the VEET scheme, which you have announced will end at the end of 2015, as a very costly scheme. So logically the ending of that scheme ought to save the generators some money. Is it your evidence that the ending of the scheme will lead to a reduction in power bills, and if so, by how much?

**Mr NORTHE** — Thank you, Mr Pakula. Probably retailers, rather than generators, are the ones who will save. The retailers would have an administrative burden upon them, so we anticipate — —

If I put it in reverse, there is probably a cost, if we continue the scheme as it is, of around \$50 per year per householder; we believe that would be the case. So if we kept the current target, it is estimated that the net economic cost to Victorians would be \$712 million. Householders who do not participate would see increases in their electricity bills of approximately \$54 in 2015, \$55 in 2016 and \$62 in 2017. So we are very hopeful that through the scheme there will not be an additional cost burden upon consumers. Your point is that retailers have a very comprehensive administrative burden through the VEET scheme, so you would hope to see that consumers would have better deals at the end of the day.

**Mr PAKULA** — Minister, you say, 'You would hope'. I can hope; you are the minister. What steps can you take to ensure that the retailers will pass these savings on — the savings that you claim?

**Mr NORTHE** — Mr Pakula, we have a deregulated market, which Labor initiated long ago, so I cannot dictate. But let me say very loud and clear that in conversations with the retailers, if we remove the administrative burden, it will be put very strongly that there is an expectation in some sense.

**The CHAIR** — Thank you, Minister.

**Mr PAKULA** — An expectation in some sense — how comforting!

### **Members interjecting.**

**The CHAIR** — Order! The time available for questions for this portfolio has now expired. I think there was one matter to be followed up on notice. We will write to you, Minister, with those details, and if we could have a response within 21 days, that would be of assistance. I thank the departmental officers for their attendance this morning.

### **Witnesses withdrew.**