Tasmanian Renewable Energy Alliance

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Transparency issues in energy policy

A Submission to the Parliamentary Standing Committee of Public Accounts, Inquiry into Government Owned Energy Entities

16 May 2016

The Hon Ivan Dean MLC
Chair, Parliamentary Standing Committee of Public Accounts
By email: pac@parliament.tas.gov.au

TREA welcomes this inquiry into the financial position and strategies of GBE energy businesses in relation to energy security and risk management.

As documented in the attached article, the current energy security problem is not just a result of the Basslink failure and three months of low rainfall. The longer term cause of this problem is that on average, Tasmania generates less electricity than it uses and has done little to build or support additional generation capacity since the completion of the Musselroe windfarm.

The state government has argued that market mechanism provide the best way of ensuring energy security at the most affordable price, but in fact the energy market in Tasmania, despite being operationally part of the National Electricity Market (NEM), is far from being an open, transparent and competitive market.

For example Hydro have stated that only a third of the cost of running diesel generators will be recouped in electricity sales[1]. All of the acquisition and siting costs and two thirds of the running costs will be absorbed into the Hydro budget and likely result in an operating loss. So a substantial part of these costs will ultimately be met by the Tasmanian taxpayer through loss of dividends from Hydro rather than being passed on to energy consumers. The desire to protect consumers from sudden price increases is understandable, but treating costs in this way prevents informed public debate about alternative strategies.

TREA believes that policies to support additional renewable energy development in Tasmania will contribute to job creation, energy security for the state, economic and environmental benefits. However making the case for policy measures in support of this is made difficult by the lack of transparency around the finances of GBEs.

For example:

- **Hydro Tasmania Annual Report**
  It is extraordinary that in a 128 page Annual Report, Hydro Tasmania provides a single Revenue line item “Sale of products and services” with no breakdown into for example, LGC income, sales to industrial customers, sales to retailers, sales to the mainland via Basslink. Similarly, direct expenses is a single line item.
- **Aurora Energy Annual Report**
  This has a single line item for “Energy and network purchases” and does not even distinguish between payment to TasNetworks and Hydro.

[1] Hydro Tasmania Energy supply plan update, 22 Feb 2016, p2
http://www.hydro.com.au/system/files/www.hydro.com.au/News/Energy_Supply_Plan_Update_22_February_2016.pdf

What we are requesting

TREA believes that the Standing Committee should recommend the following:

Public modelling of future electricity supply and demand

Hydro Tasmania publishes excellent current and historical information on storage level. Current and historical information on electricity generation and spot market prices is available through NEM data. However there is no public modelling of future supply and demand options to inform public debate about energy policy. Such modelling needs to be scenario based to explore the implications of variables such as long term changes in climate patterns (rainfall, inflow and wind), and demand variables (for example population increase, impact of energy efficiency measures, greater use of electric transport). Scenarios should also be used to explore the implications of a later than anticipated return to service of Basslink, as well as the impact of possible future failures.

Detailed costing of electricity generation from various fuel sources

Knowing the cost of emergency gas and diesel generation would allow informed public debate about whether this was the most cost effective way of meeting the energy shortfall during the Basslink failure (compared for example with paid demand reduction). In the medium term knowing the cost of supporting electricity supply with continuing use of the Tamar Valley Power Station would allow comparison with alternative strategies such as investing in additional renewable energy capacity.

Hydro should be required to provide publicly detailed accounting of the costs incurred in establishing and operating diesel fired generation. Details should be supplied of the cost of recommissioning and operating the Tamar Valley Power Station.

We view with concern the statements made by the Energy Minister (see attached Hansard) that the reporting would be “in the ordinary course, at the end of the financial year”. We believe this is provides far too little detail and is far too late to allow informed public debate.

Energy GBE financial reporting

We believe that energy GBEs should be required to provide more financial details in their accounts. The aim should be not merely to comply with accounting standards but to enable a reader to able to assess how the bottom line is determined, to place the reader in a position as if they were contemplating investing in the company.

GBEs should be required to provide some level of continuous disclosure. Whatever listed companies are required to do should be the bare minimum.

We would welcome the opportunity to explain these issues further by appearing before the Committee.

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Attachments:

Talking Point: New ideas needed in energy crisis, Jack Gilding, The Mercury, 25 Mar 2016
Dealing with Tasmania’s energy crisis requires more innovative thinking and more transparency than has been on display in State Parliament in recent times.
http://www.themercury.com.au/news/opinion/talking-point-seeds-of-change-on-rocky-ground/news-story/a2215dcdea9c0cf7f363de406f672d44

How much new renewable energy does Tasmania need? Jack Gilding, 22 Feb 2016
Includes estimates of how much distributed renewable energy capacity would be needed to meet Tasmania’s current shortfall in renewable energy generation and rebuild storage levels.
http://reneweconomy.com.au/2016/how-much-new-renewable-energy-does-tasmania-need-67697

Attachment

Extract from:

Proof Committee Hansard
Senate Select Committee into the Scrutiny of Government Budget Measures
Effect of cuts or changes in the Commonwealth budget
Hobart, Thursday, 14 April 2016

Senator McKIM: Mr Groom, just to wrap up the cost issue: it is clear that you do not know what it has cost to date to respond to this crisis. You have said repeatedly that you think the Tasmanian people should be able to find out what it cost. How are you going to do that? When can the Tasmanian people expect an update from you? Will you take a question on notice from this committee today that you will get back to the committee in writing, once you have had a chance, with what the cost is to date of responding to this crisis?

Mr Groom: I have made this very clear. We want to ensure that the Tasmanian people are fully informed in terms of the impact that this is going to have on Hydro Tasmania. There are normal processes for that in terms of Hydro's returns and reporting back to government. They are made public in the ordinary course, so I will obviously ensure that that happens. These are complex issues.

Senator McKIM: So you are going to do nothing at all extra to be transparent and let the Tasmanian people understand how much of their money—you understand this is not your money; it is their money—has been spent responding to this crisis? Are you seriously going to do nothing outside normal reporting so that the Tasmanian people can understand how much of their money has been spent responding to this crisis?

Mr Groom: As I said, we have been upfront about the most significant additional cost. I think it is important that you go through the proper processes that allow the company to collate all of their financial positions. There are complex issues here that are not straightforward and it will take time for us to have more clarity. But I can absolutely assure you that the Tasmanian people will be fully informed in terms of the financial impact that this has on Hydro Tasmania.

Senator McKIM: When?

Mr Groom: In the ordinary course, at the end of the financial year.