



STATE DEVELOPMENT, INFRASTRUCTURE AND INDUSTRY COMMITTEE

Members present:

Mr DF Gibson MP (Chair)
Mr MJ Hart MP
Mr R Katter MP (via teleconference)
Mr TS Mulherin MP
Mr BC Young MP (via teleconference)

Staff present:

Ms E Pasley (Research Director)
Ms M Westcott (Principal Research Officer)

DEPARTMENTAL BRIEFING—INQUIRY INTO THE ENERGY AND WATER LEGISLATION AMENDMENT BILL 2013

TRANSCRIPT OF PROCEEDINGS

TUESDAY, 9 JULY 2013

Brisbane

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Committee met at 1.01 pm

BURNETT, Mr Andrew, Manager, Gas and Markets, Department of Energy and Water Supply

CONNOLLY, Mr Paul, Director, Gas and Markets, Department of Energy and Water Supply

DOYLE, Miss Josephine, Acting Senior Policy Officer, Gas and Markets, Department of Energy and Water Supply

HATCH, Ms Lorelle, Manager, Industry Services and Emergency Management, Department of Energy and Water Supply

LEAVER, Ms Gayle, General Manager, Water and Sewerage Reform, Department of Energy and Water Supply

SCHNEIDER, Mr Darren, Acting General Manager, Generation and Fuel, Department of Energy and Water Supply

WALL, Mr Peter, Principal Advisor, Networks and Demand Response, Department of Energy and Water Supply

CHAIR: Good afternoon, everyone. I declare open the departmental briefing for the committee's inquiry into the Energy and Water Legislation Amendment Bill 2013. I thank you for your attendance here today. I will introduce the members of the State Development, Infrastructure and Industry Committee. I am the member for Gympie and chair of the committee. The deputy chair is Mr Tim Mulherin. We have Michael Hart, the member for Burleigh. Bruce Young: you are on teleconference there, Bruce?

Mr YOUNG: I certainly am, David.

CHAIR: And we are expecting Rob Katter, the member for Mount Isa, to come through on teleconference. We have apologies from Mr Holswich, the member for Pine Rivers, and Ms Millard, the member for Sandgate.

The committee is a committee of the Queensland Parliament and, as such, represents the parliament. It is an all-party committee that adopts a nonpartisan approach to its proceedings. The departmental briefing today forms part of the committee's examination of the Energy and Water Legislation Amendment Bill 2013. The Parliament of Queensland Act 2001 requires the committee to examine the bill to consider the policy effect to be given by the bill and the application of fundamental legislative principals. Although the committee is not swearing in witnesses, I remind all witnesses that this briefing is a formal process of the parliament. As such, any person intentionally misleading the committee is committing a serious offence.

For the benefit of Hansard, I ask witnesses to identify themselves when they first speak and to speak clearly and at a reasonable pace. It is the committee's intention that a transcript of the briefing will be published. Before we commence, I ask that mobile phones be switched off or placed on silent mode. I welcome officers of the department. For the record, could you state your position and your name?

Mr Schneider: I am Darren Schneider, acting general manager, generation and fuel, Department of Energy and Water Supply. Today I will provide a brief overview of the proposed amendments to the bill, which I will go through now.

CHAIR: Would you like to introduce your team?

Mr Schneider: Okay. On the energy side I have Lorelle Hatch, who is the manager, gas and markets. She oversees the Queensland Gas Scheme. Paul Connolly is the director in the gas and markets team as well. Josephine Doyle is another team member in the same area, as is Andrew Burnett. On my left I have Gayle Leaver from the water side of the department. She is the general manager of water and sewerage reform. Peter Wall is the principal advisor, network and demand. He is looking after the SESP side of the questions.

CHAIR: Excellent. Mr Schneider, if you would like to start with an opening statement?

Mr Schneider: Yes, sure. The Energy and Water Legislation Amendment Bill seeks to amend the Electricity Act and the Energy and Water Ombudsman Act, repeal the Clean Energy Act and amend the South-East Queensland (Distribution and Retail Restructuring) Act. In regards to the energy aspects of the bill, this relates to the government's decision on 8 March to cease the Queensland gas scheme and the Smart Energy Savings Program or SESP, and to generally cut red tape from the Queensland energy sector.

In regards to the Gas Scheme, it originally commenced in 2005 to develop the gas industry and reduce greenhouse gas emissions. Chapter 5 of the Electricity Act requires electricity retailers to source a prescribed portion, currently 15 per cent, of their electricity from gas fired generators. The creation and surrender of gas electricity certificates, also known as GECs, is a mechanism to ensure compliance with this obligation. The GECs are also tradeable, which provides an additional stream of income for gas fired generators and acts as a market-driven approach to achieve the scheme's target at least cost. The Gas Scheme was successful in terms of encouraging gas production in the state. At the time of the introduction of the scheme, gas fired generation only made up 2.4 per cent of the generation mix. Now, retailers source around 20 per cent of their electricity from gas fired generation. This far exceeds the 15 per cent target. Going forward, however, the continued application of the Gas Scheme in its present form, combined with the effect of a carbon price, would likely result in duplication of costs, which would be passed on to customers. Under the proposed amendments, the Gas Scheme will expire on 30 June 2014 and beyond this date all relevant registrations, accreditations and exemptions would expire. The Gas Scheme will operate with normal administration procedures for the 2013 liable year.

Going on to the Smart Energy Savings Program, SESP requires businesses with energy use above a specified threshold to undertake energy audits and report their energy savings strategies to the government. The SESP requires businesses with energy use above certain thresholds to undertake an audit, develop an energy savings plan and publish their actions on the relevant site. SESP was intended to encourage firms to understand their energy use and identify and implement cost-effective energy management strategies. However, with current policy and regulatory context there are sufficient drivers already for businesses to undertake such energy management activities. Accordingly, the bill proposes to cease all requirements under SESP.

Overall on the energy side, ceasing the operations of the gas scheme and SESP will reduce the administrative burden and complexity for government and industry. It would also decrease pressure on electricity prices and remove duplication of programs with the Commonwealth government's carbon price.

In regards to the water side of the bill, it is about the transfer of water and sewerage services for Noosa council. The deamalgamation of Noosa from the Sunshine Coast Regional Council will take effect on 1 January 2014. Amending the South-East Queensland Water (Distribution and Retail Restructuring) Act will enable Unitywater, the northern distribution retailer in South-East Queensland, to continue to provide the Noosa Shire Council with water and sewerage services. This proposed amendment would enable the new Noosa council to become a participating local government in the retail-distribution business of Unitywater. This is necessary under the legislation for Unitywater to supply water and sewerage services to that local council. In order for this to occur, the proposed amendments are made in the bill. I think that is about it.

CHAIR: Thank you. If I can start with the questioning, can you take us through the gas energy certificates? How have they operated within Queensland; can you tease that out a little for us?

Mr Schneider: I will provide a bit of a general overview. There are some requirements to measure how much gas electricity is generated and the GECs are a mechanism to measure that. These GECs are then available to be traded in a market. Effectively, it is a dual mechanism to monitor or ensure compliance, but also create a market-driven revenue stream for gas certificates. Lorelle Hatch should be able to provide some more details. She is more of a specialist than me.

Ms Hatch: For your gas fired power stations, it is not compulsory for them to be part of this. The gas electricity certificates are created by accredited gas fired power stations. It is not compulsory for the gas fired power stations to be accredited generators. They then have eligible electricity and for every megawatt hour they get one GEC or one gas electricity certificate. The GECs, over the years, incentivise the gas fired generation because then they get the sale of the electricity plus the sale of the GECs in the market place. That is how it has worked. The pricing of the GECs have gone up and down during the commencement of the scheme. They are also required, when they hop on a gas electricity registry—the Queensland gas registry is how we keep a record of the certificates. What happens is the generator will, over their monthly period or however often they want to create the GECs, provide the regulator with the validation data. They pay a fee to create each GEC and then the regulator approves by going through and looking at the data to say, 'Yes, that is how much electricity has been generated', and then they get registered as the amount of GECs per megawatt hour. The GECs are then kept and how they move around the marketplace is kept on the registry. It is a public register. Each accredited generator has users that hop onto that register and they are responsible for the payment of GEC creation and then how those GECs move in the marketplace.

To provide some more information on the market dynamics, I will hand over to Andrew Burnett in regard to pricing of the GECs, but that is the basic principle. Are there any questions on how that works?

CHAIR: For the benefit of the committee, you talked about a fee at the time of creation of a GEC. What would that fee be?

Ms Hatch: At the moment, the fees are about 19c per GEC. The current price of a GEC at the moment is around 30c.

CHAIR: Thank you.

Mr MULHERIN: Will this bring electricity prices down?

Mr Schneider: It would provide a downward pressure on electricity prices. I am not certain what proportion GECs form as part of the overall retail price. I think it is fairly small. It was part of our submission, I believe. It is a fairly small amount, but it should provide a small downward pressure on electricity prices. Certainly the other thing, as well, it reduces pressure in terms of the gas market. As you probably would be aware, the gas market is a little bit tight in terms of supply and demand. If there is less demand for gas in terms of gas fired generation, it will put a downward pressure on gas prices as well.

Mr MULHERIN: What sort of level of modelling have you done around the reduced cost pressures on the price of gas, say, for manufacturing?

Mr Schneider: I will hand over to Andrew. I think this was undertaken by the QCA in terms of its pricing assessment. Andrew, can you answer?

Mr Burnett: I think there are two parts to the question. One is looking at the impact on retail electricity prices. There will be a marginal reduction in retail electricity prices. As part of the determination by the QCA, they look at all of the different components—wholesale costs, retail costs, network costs as well as things like the renewable energy target and the Queensland Gas Scheme. So for the 2012-13 year, the impact of the Queensland Gas Scheme was about 85c per megawatt hour which converts to 0.08c per kilowatt hour out of 25c. So that is the impact there. The impact on gas prices—

Mr KATTER: Mr Chairman, it is Robbie Katter here.

CHAIR: Thank you, Rob.

Mr KATTER: Apologies, Dave.

CHAIR: We have commenced the briefing and one of the departmental officers is talking us through, so I will let you listen in and catch up.

Mr KATTER: Thank you.

CHAIR: Please continue.

Mr Burnett: With regard to the impact on gas prices, we have not necessarily been able to model that. I guess what Darren was talking through was that there is a supply and demand pressure in the gas market at present and the requirement for retailers to source gas fired electricity through this scheme adds to that. There is potentially a reduction in demand that will free up some of that pressure in the gas market, but it has not been modelled.

Mr HART: Andrew, what is the market for a GEC? Who buys it? I understand who sells it, but who buys it?

Mr Burnett: It is primarily electricity retailers such as Origin, AGL and those types of businesses. There is ability for intermediary trade because they are a financial instrument. Some people may look to purchase them, but generally it is electricity retailers that are operating in Queensland.

Mr HART: Is that associated with the extra payment you might make on your electricity bill for a green—

Mr Burnett: As part of the QCA determination, it would be wrapped up in the wholesale energy cost. When they do that, they look at the physical purchase of electricity in the market and then additional costs associated with the Queensland Gas Scheme, renewable energy targets and those kinds of things.

Mr HART: My next question is what happens when these GECs disappear? How does that affect the market?

Mr Schneider: Can I make a clarification. With regard to the GECs, there is an obligation on retailers to purchase 15 per cent of gas fired generation and as part of completing that obligation they surrender these GECs as part of that. So they have said, 'Okay. Fifteen per cent of my purchased electricity is here in terms of the GECs,' so they surrender those GECs and then therefore it goes off the market.

Mr HART: So they pay for them, they are created and then they surrender them?

Mr Schneider: The generators pay for the creation of the GECs and the retailers surrender those GECs as part of meeting their obligations to purchase the 15 per cent. If they fail to purchase 15 per cent there is a penalty in terms of penalty payment, but that was fairly small as well and not many people paid that amount. They would prefer to purchase the GECs.

CHAIR: Andrew, earlier you were alluding to the fact that there could be other trading but that you have not seen a great deal of that or it has not occurred with the GECs.

Mr Burnett: No, I would not have thought so.

Ms Hatch: No. There are only approximately two or three just traders on our registry; it is mostly accredited generators and retailers—electricity retailers.

CHAIR: So what would be the impact on those traders, albeit a small amount? With the GECs, would we see a significant impact for them?

Ms Hatch: No. Neither of those have been trading on those that I am aware of, so they are basically on the registry just to obtain information about the market and if they wanted to purchase they can.

Mr MULHERIN: With regard to the average demand for electricity, what percentage of that average demand would come from gas fired generation?

Mr Schneider: One of the comments in the submission is that at this point in time retailers are purchasing about 20 per cent of their demand needs through gas fired generation.

Mr MULHERIN: So we have mandated 15—

Mr Schneider: Yes, that is correct.

Mr MULHERIN: But it is still about 20 per cent. So do you believe that retailers—

Mr KATTER: Mr Chair, could I interrupt for a second. I am having enormous difficulty hearing people. Is anyone else having difficulty?

CHAIR: Bruce did indicate that earlier as well. We will see what we can do, Rob. We are working off the PA systems in here. Is it the MPs that you having trouble hearing—surely not—or the departmental officers?

Mr KATTER: Departmental officers. I have heard both you and Bruce all right; it is just mainly the officers.

CHAIR: If I could ask you to raise your voices.

Mr Schneider: Okay; sorry.

Mr MULHERIN: The question is do you anticipate that with the removal of this mandated level of 15 per cent there will be a decrease in the use of gas for generation?

Mr Schneider: It is a little bit difficult to, I suppose, answer that question. It all depends I suppose on the price of gas and market forces generally and I really cannot answer that. Andrew might be able to provide some further information. Andrew?

Mr Burnett: Yes. As Darren indicated, it is quite tricky. Given the value of GECs currently in the market, it is not likely that that is a significant driver of the purchase of the electricity. So the general wholesale market operation in Queensland and the amount of gas fired generation that has come into the market will have an impact, but obviously the increasing price of gas will have the potential to reduce the amount of gas fired electricity that was purchased. Whether the GEC scheme being in place or not would change that impact, it is difficult to say but unlikely that it would change the impact.

Mr MULHERIN: In terms of gas fired generation, has that mainly been used for peaking or for baseload? What is the sort of combination of them?

Mr Burnett: Previously it would have been used predominantly for peaking. The development of the LNG industry and this significant increase in gas production have meant that it has probably been used more as an intermediate and to baseload cycle. For example, the Darling Downs Power Station with Origin Energy would be running more akin to an intermediate to baseload. Some of the power stations at Braemar—there are two power stations at Braemar—that would traditionally run as peaking plant have been operating up to 50 per cent of the time, which is much higher than what we would assume for a peaking plant.

Mr MULHERIN: So that 20 per cent of the generation capacity that comes from gas, you would say about 50 per cent will probably be used as either base or intermediary?

Mr Burnett: The 20 per cent is actual output, not capacity from the plant. So the total generation output is 20 per cent, so that is an indication of how much it is being used.

Mr MULHERIN: Yes. So half of that 20 per cent output would probably be in that baseload intermediary or what sort of percentage?

Mr Burnett: Yes. Actually, I think it would be higher than that. I can take that on notice, but I think it would be higher than that at this point in time.

Mr MULHERIN: Yes. It would be good if you could get back to us on that, because originally you said that what we will probably see is prices will start to ease in the domestic market once this mandating has been removed, but in the next breath we are saying that that probably will not happen so there will not be much easing in price.

Mr Schneider: Can I clarify. I think what I said was there would be less pressure on pricing. Certainly, market forces dictate what the price of generation is in the market, and a number of different factors affect that—in terms of not only fuel prices in terms of coal versus gas fuel demand, in terms of how much demand and what peak demand is. There is a series of factors. It is difficult to say that prices will necessarily decline, but there will be less pressure on prices because of the Gas Scheme being removed.

CHAIR: Coming back to the question on notice, you are happy to come back to the committee with that information?

Mr Schneider: Certainly.

CHAIR: Excellent. I want to give our two members via teleconference an opportunity to ask questions. Bruce and Rob, would you like to ask a question at this stage?

Mr YOUNG: No, I am good thanks.

CHAIR: Thanks, Bruce. Rob?

Mr KATTER: I am good thank you, Mr Chair.

CHAIR: Excellent. Before we move on, I want to pick up on something. With the carbon price mechanism, if we were to have the two schemes running together, can you just outline what would happen in the electricity market within Queensland?

Mr Schneider: I suppose it is a bit difficult to say. We have the gas and we have a carbon price already. It effectively is a duplication of supporting this gas fired generation, so they are already receiving some support through the GEC scheme and they will be receiving some kind of price incentive through the carbon price, whatever it is. That would effectively continue to add upward pressure to prices. All we are simply doing is removing one of those mechanisms to support less carbon intensive generation. So, effectively, it is a double subsidisation.

CHAIR: Within the department, how much does it cost to operate the scheme and what would you envisage you would save?

Mr Schneider: I will hand over to Lorelle.

Ms Hatch: I will have to take that on notice to get you a proper figure for that.

CHAIR: Okay; we would appreciate that.

Mr MULHERIN: How many are in the gas unit, Lorelle?

Ms Hatch: There is a director, there is myself and I have two officers, an AO7 and an AO6.

Mr MULHERIN: So four or five people would become redundant as a result of this?

Ms Hatch: No. We have other responsibilities in our area. We also have energy emergency response as part of my unit and our work flow is in peaks and troughs. Of course, during compliance period it is heavy during that three or four months of the year and we are resourced on energy emergency response in other divisional activity.

Mr MULHERIN: So, in other words, there will not be any savings to the department because you are effectively employed on other duties.

CHAIR: We will wait till we hear back on that, but it is noted.

Mr HART: Andrew, you said that across-the-board 20 per cent of our energy is provided by gas fired power plants.

Mr Burnett: That is correct.

Mr HART: Given my engineering background, I assume that you cannot chop and change between a coal fired generator and a gas fired generator. Are some of these plants 100 per cent gas or 100 per cent coal? What is the situation?

Mr Burnett: Predominantly the newer types of gas fired generation is run gas only and the coal generation coal only. There is some flexibility in generators. For example, coal fired generators can use other types of fuels like biomass based fuels to co-fire with. Some of the gas turbines are able to operate on other types of fuels—liquid fuels and things like that—if need be. So there is some flexibility, but generally each generator will run almost 100 per cent on a particular fuel type.

Mr HART: What has the latest power station been using? Are the latest ones gas?

Mr Burnett: Since 2007 Kogan Creek was the last coal fired generator built in Queensland. Since then it has all been gas fired generation in the main large scale generation. Obviously there has been a range of renewable energy projects from the very small to some reasonably sized ones that have come in, but as part of what we would call the national electricity market in Queensland it has all been gas.

Mr HART: So they are not likely to jump back to coal—that is my point—are they?

Mr Burnett: Not those generators. It is technically possible for some types, but for these ones they are designed to run on gas, not change fuels.

Mr MULHERIN: Most thermal baseload power stations are designed around the source of the coal adjacent to the power station; is that right?

Mr Burnett: That is correct, yes.

Mr MULHERIN: And they can be adapted to gas if required?

Mr Burnett: It would take a significant shift, but, yes, it is possible. Most of the changes like that have been the other way—probably moved from coal to gas as the fuel. It is possible to do that but, as I say, most of them are generally purpose built for a particular fuel type.

CHAIR: I want to pick up on the Smart Energy Savings Program, unless there are any further questions on the gas side of things. Bruce or Rob, any questions from you on the gas side of things?

Mr YOUNG: I know what we generate in coal, but what is our biggest gas fired plant in Queensland? How many megawatts?

Mr Burnett: The Darling Downs Power Station and, off the top of my head, about 630 megawatts.

Mr YOUNG: So they are roughly half the size of the general power stations around the state?

Mr Burnett: That would be right, yes.

Mr KATTER: Mount Isa is fully gas, too.

Mr YOUNG: Yes.

Mr KATTER: Two hundred, I think.

Mr YOUNG: Right. That was my question. We will move on to smart energy.

CHAIR: Rob, do you have any questions from the gas side of things?

Mr KATTER: No.

CHAIR: If we can touch on the Smart Energy Savings Program? Can you outline for the committee the progress that we have seen with businesses as a result of the smart energy scheme, how that progress will be maintained or will we see some unintended consequences with the repeal of the Clean Energy Act 2008?

Mr Schneider: I will hand over to Peter who administers that scheme. He is probably better able to answer those questions.

Mr Wall: In terms of the way businesses are required to meet their obligations under the SESP, in terms of the energy management activities they were required to undertake, there is nothing to stop them necessarily undertaking them themselves. You would not necessarily see the reporting requirements continue, because there is no obligation to do so, but certainly for the activities that they can undertake there is certainly no stopping them from undertaking those.

CHAIR: Has there been any modelling on the cost of the reporting requirements for business and what they could potentially be saving?

Mr Wall: It is a difficult question to answer, because the compliance costs can vary quite significantly from business to business and those costs certainly were not reported under the scheme. There was no requirement to report compliance costs. So depending on the size and scale and type of industry in which these businesses operate, the cost of an energy audit, for example, can be rather small—it could be a couple of thousand dollars—up to a very large business up towards the upper end of the threshold with very complicated manufacturing process and it could be tens of thousands of dollars. That is just the energy audit. Then for implementation, if a business chose to implement any of the actions that are identified in their energy savings plan, that could also go into the tens of thousands of dollars. But again, you would expect those costs to be more than offset by the savings. Again, there were no requirements to implement the activities identified and, certainly, the costs of compliance certainly were not collected.

CHAIR: So there was an expectation that a business would benefit from the recommendations of the energy audit, but there was no actual hard data as to what the compliance costs were? So we were operating a little bit in the dark there as to whether they really benefited from it or not?

Mr Wall: Yes, that is correct.

CHAIR: Okay. Are there any other questions on the clean energy scheme side of things?

Mr MULHERIN: With the Smart Energy Savings Program, has the department quantified any of the outcomes since its inception?

Mr Wall: Again, as I previously mentioned, the costs of compliance certainly were not collected under the scheme. There was no requirement for the participating businesses to report that information. In the energy savings plan, they were required to identify one of three types of activity and report on it and just publish it, but again, the costs of that implementation may have been indicative and there was certainly no requirement in the reporting arrangements for them to report on how much it was actually going to cost them to do so.

CHAIR: How did they publish? On the web? In their company reports?

Mr Wall: The act specifies a number of ways, but normally on their website would be sufficient.

CHAIR: Okay

Mr MULHERIN: After the repeal of this act will there be any incentives for industry or businesses to increase their energy efficiency, or is it that commercial reality would drive that? Is that the policy position of the department?

Mr Wall: There are a number of different incentives that are not necessarily regulatory in Queensland. Obviously, the increasing price of energy, particularly electricity, is a significant factor for large businesses with very energy-intensive operations. So without this largely reporting

requirement these businesses certainly have a commercial incentive to do so and that should not stop them from undertaking any initiatives to implement more energy-efficient activities.

In terms of the other incentive, which is the federal carbon price, that provided a significant additional incentive for these businesses to implement energy efficiency throughout their business. Any implementation of these activities will reduce their exposure to either gas or electricity prices and then any requirement for carbon exposure.

CHAIR: Michael?

Mr HART: No.

CHAIR: Bruce and Rob, anything for you on the Smart Energy Savings Program?

Mr KATTER: No.

Mr YOUNG: No.

CHAIR: Excellent. I take it you have received copies of the submissions—not that there have been many—that have come through. I note that the Environmental Defenders Office is opposed to the repeal of the Clean Energy Act. Can you outline your views on the submission that they have made, in particular how the indirect environmental impacts will be mitigated in the current policy context?

Mr Schneider: Can I hand over to Peter for that as well?

Mr Wall: The Environmental Defenders Office of Queensland and also the North Queensland office raised a couple of objections that were largely interpreted as policy objections. In terms of their claims for greenhouse gas emission reductions, there is certainly nothing stopping businesses from undertaking their own activities to obtain emissions reductions. In terms of their comments on the Kyoto protocol, it is certainly beyond the scope of Queensland legislation to address Kyoto issues. Those are certainly covered by the Australian Constitution and the Commonwealth government's international relations obligations. In terms of other cost-saving and energy-efficiency measures, there certainly still remains the commercial incentives for these businesses to undertake any activities they need. So there is certainly nothing stopping them.

CHAIR: Is there anything identified from the perspective of fundamental legislative principles on the points that the Environmental Defenders Office raised?

Mr Wall: The internal advice that we have received on this suggests that this is a bit of a stretch—for lack of a better word. In terms of section 4, it seems the current interpretation deals more with Henry VIII clauses around subordinate legislation overpowering primary legislation. So the examples in section 4 of the LSA certainly are not consistent with the claims made by EDOQ.

CHAIR: Excellent. Rob and Bruce, is there anything?

Mr YOUNG: That is pretty straightforward.

CHAIR: Rob, is there anything?

Mr KATTER: No, nothing from me.

CHAIR: Okay. Excellent. We might move now to Noosa and the deamalgamation. It appears fairly straightforward. We are creating a new council. As a result we need to include them. Would there be any costs that would be associated with this that the new local government entity would have to bear?

Ms Leaver: The issues of costs and deamalgamation are being done separately through the local government arrangements. So there obviously would be costs around the deamalgamation of Noosa. The Noosa council becoming a participating council of Unity Water would be no different from what it does now as part of Unity Water. I am conscious that the Noosa council will only become a council in January 2014. So all we are doing is basically ensuring that water supply services continue from that date. It may well be that when council forms they have some other views on what they want to do with their water supply and sewerage services.

CHAIR: So the new council may choose not to be a part of Unity Water. Is that what you are indicating?

Ms Leaver: Certainly, one of the key issues that will have to come into play is that Noosa council will have to get some participation rights out of Unity Water, because Noosa would obviously be getting some financial return back from Unity Water if it continues to be a participating council of Unity Water. Because council has not yet formed, we have no view on what council wants.

CHAIR: Okay. Those participation rights, are they like shares that council buys into?

Ms Leaver: They are equivalent to shares. Because it is created under statute, each council gets participation rights from the water business and they get a financial return, which is equivalent to, I suppose, arguably profits back from the water business.

CHAIR: Does the Sunshine Coast council lose any number of its participation rights as the new Noosa council—

Ms Leaver: The Sunshine Coast council will eventually lose some participation rights as a result of Noosa pulling away, yes.

CHAIR: Okay. Again, that is fairly straightforward. Is anything there? Bruce and Rob, is there anything on the Noosa council issue?

Mr KATTER: No.

Mr YOUNG: No, because we are going through the same thing up here with the deamalgamation of the former Livingstone and I am on that committee. So I have a fair understanding of what is required there.

CHAIR: Is there a legislative change for that one that needs to be addressed?

Mr YOUNG: Not up this way—in this part of the world—because part of the issue with you guys is with Unity Water, but up here it is Fitzroy River Water. Basically, it is separate agents. We do have shared services and all costs will be borne by the deamalgamating shire.

CHAIR: Okay. All right. Thank you, I think we have pretty much covered everything. Darren, are there any closing remarks that you would like to make?

Mr Schneider: No, I do not think so. I think we have covered everything. Thank you very much.

CHAIR: Excellent. I would like to thank you all for your participation here today. It has been valuable. Whilst this is one of the less controversial bills, it is always appreciated the information that the department can provide, particularly in teasing out the written submissions that we have received. I move that the committee authorise the publication of the transcript of today's briefing. Can I have a seconder for that?

Mr HART: Yes.

CHAIR: Thank you, Michael. All in favour? Carried?

Mr YOUNG: Carried.

CHAIR: I now declare the briefing closed. Thank you very much.

The committee adjourned at 1.41 pm