



Speech by

Hon. Paul Lucas

MEMBER FOR LYTTON

Hansard Tuesday, 17 August 2004

ELECTRICITY SUPPLY

Hon. P.T. LUCAS (Lytton—ALP) (Minister for Transport and Main Roads) (3.09 p.m.): This is a doing government. The Somerville report and the action that the state government is taking are about doing something to make our electricity system even better. This report is a blueprint for the future of Queensland's electricity industry and it is a report commissioned by the Beattie Labor government to make sure that our electricity industry develops even better into the 21st century.

It is important that we take action to improve our electricity industry even further. The Somerville report notes the actions that I undertook in December 2003 with respect to the concerns that I had over a significant period of time over Energex's call centres and their ability to communicate with residents experiencing power outages. That review formed the basis of the conclusions of this report when it came to the communications and call centre matters as a result of the Somerville report.

There has been some reference in a newspaper, on a radio station and one of the television stations recently to a so-called uncovered document—a June 2003 document about emerging transmission network limitations. I always find it interesting when people think they uncover things, particularly when they were mentioned in the media I think on more than one occasion in 2003 but even more so when they are publicly available documents.

People need to understand how the national electricity market works and how the national electricity code works. When you are required to do a major upgrade of your network, it is a monopoly asset. The national electricity code requires those who are contemplating that undertaking to undertake a three-stage process. The reason for that is with a monopoly asset you need to ensure the expenditure is justified because people have no choice with respect to paying for the cost of that asset.

So the first thing that happened was in June 2003 a document was published by Energex and Powerlink with respect to the Brisbane CBD and surrounding areas called a statement of emerging network limitations. That is a standard document that is used in the national electricity market regardless of where people live—Brisbane, Sydney, Melbourne, wherever. When you need to undertake a major upgrade, you must go through that three-stage process.

That document came out in June last year. The next stage is a document called an application notice. Here it is. Where did I get this secret document from? I printed it from the Internet this morning. I table that document. How did we find out about that? On 17 December 2003 when the document was available Energex and Powerlink issued a media release telling people about it. It was also reported in the media at the time. As I said, this is part of a three-stage process. The emerging network limitations report outlines what we will need to do in the future. The application notice lists the various options for us to undertake, and option A is our preferred option.

What happens after that is we have our final report. Here it is. Again, this secret document I downloaded off the Internet this morning, and I table that as well. That was tabled on 20 February 2004 and says what the final outcome is for the Brisbane CBD and other reliability upgrades in that area. This is part of a standard process that was undertaken. People who suggest that there is something misleading or

hidden about a process as transparent as that have to be joking. Even the member for Darling Downs would know that a similar process occurred for the Millmerran to Middle Ridge powerline. There was a statement of emerging network limitations, an application notice and a final report. That is the standard way that things happen in the national electricity market.

Mr Reynolds interjected.

Mr LUCAS: No, just on the Internet. I remind honourable members, when they look at the report either on the Internet or here, that it says—

DOCUMENT PURPOSE

For the benefit of those not familiar with the National Electricity Code ... and the National Electricity Market ... ENERGEX and Powerlink offer the following clarifications on the purpose and intent of this document:

1. The document is produced in accordance with the NEC, which requires ENERGEX and Powerlink, as part of forward planning, to identify foreseeable FUTURE supply requirements in its network, well in advance of them becoming an operational problem.

...

What this document does NOT mean:

...

B. It does NOT mean that ENERGEX and Powerlink have been surprised, or that anything is 'out of the ordinary'. On the contrary, it is part of the normal, routine planning processes in the NEM.

If members do not believe me, they can have a look on TransGrid or the Victorian distributors or other web sites throughout the national electricity market. I table those documents. Even Brisbane's Lord Mayor, Councillor Newman, in a letter written to the state government asked about the emerging network limitations document which was published on the Internet. He knew it was on the Internet. It is about time we had a bit of honesty and truth in this debate.

The Energy Minister commented on this matter before in an objective assessment of Queensland's energy industry. That is, the 2004 national electricity market management companies' recently released statement of opportunities shows Queensland has reliable electricity supply until the summer of 2009-10. Assuming a scenario of extreme temperature conditions, the 2004 statement shows this level of reliability can be met in Queensland until the summer of 2009-10, in New South Wales until the summer of 2008-09, in Victoria and South Australia until the summer of 2004-05 and in Tasmania until beyond the outward period of 2013-14. They have significant hydroelectric power in Tasmania in excess of what they need. That is why they are building Basslink. That is what it says of the mainland states in the national electricity market. We have in extreme temperature conditions a level of reliability under NEMMCO which can be met in Queensland until the summer of 2009-10. I table that document. That is not a Queensland government document; that is an NEMMCO document.

The Somerville report at page 71 indicated that Energex's system average interruption frequency index and system average interruption duration index performance from CBD feeders—that is, the duration and frequency of outages—is 'very good in absolute terms when compared with other CBD distributors in the national electricity market'. We outperform on that basis in our CBD. What the report does show—and this is why we commissioned it—is that we need to do more in relation to our short rural feeders that are below the Australian average and in relation to a number of urban feeders as well, and this is about addressing those issues.

The Somerville report also noted that Queensland's electricity prices are cheaper than those in South Australia and Victoria and only marginally more than New South Wales. I will talk a little bit about that in a minute because the member for Warrego talked about issues in his electorate, and I think it is very reasonable for us to address the issues of people in rural and remote Queensland. In January 2004 we saw the worst chain of storms in south-east Queensland's history in 18 years—not an individual storm but a chain of them. We also set a new record for electricity usage on 28 January at 7,732 megawatts—the third time a new record was set. There was no load shedding with 9,000 megawatts of capacity. Off the top of my head I think we hit record demand on six days over this summer period, and during most of those days we were still exporting electricity to New South Wales through our grid.

During the second half of the last Beattie government we continued to work very strongly in the interests of our power industry and other consumers. For example, we took on Power Down Under—and the member opposite would be aware of that—to ensure that Darling Downs would get extra transmission at a time when people in the market were making submissions to the effect that the consumer should accept a higher level of supply risk instead. That is what the Victorian distributor submitted to the ACCC; that we should allow the lights to go off. That is a better way to run the market rather than building the Millmerran to Middle Ridge line.

We faced threats of legal action to ensure Gold Coast transmission was adequate when it came to the Maudsland to Molendinar powerline. That is a major transmission supply to the Gold Coast. We advocated for Queensland's interest at a national level. We took on NEMMCO to stop it establishing four

different regions. That is what they wanted to do at a national level—four different electricity regions in Queensland. That would have catastrophic effects for regional Queensland when it comes to the price of electricity.

We established a national transmission planning process and got other states to agree to that. In repeated speeches—for example, the Australian resources and energy conference in July, the Australian energy utility conference also in July 2003 and the new energy regulations reform conference in Sydney on 9 December 2003—I, on behalf of Queensland, advocated the importance of transmission reform. We have spent more on transmission than any other network. Our grid is bigger than that of any other state. Queensland was out there saying, 'We want to remove the regulatory barriers to ensure that more is spent on transmission.' Queensland led the debate for that at a national level, and we had all sorts of problems between South Australia, New South Wales and Victoria earlier on when they were trying to build interconnectivity and they were being frustrated by the self-interest of certain people in the corporate sector. That is something that Queensland fought at the forefront to beat.

What else did we do? We oversaw the start of the \$500 Townsville power station and gas delivery project by Enertrade, including the building of a gas pipeline from Moranbah to Townsville. That allows us to convert those two gas turbine power plants in Townsville. They were established by Minister Gilmore when the opposition had to desperately scramble to get more power after the Borbidge brownouts. Do members know what they were running? Jet A1—jet fuel at \$30 a gigajoule. We are converting to the gas at \$3. That is the difference between smart economics when it comes to running those assets.

We lifted restrictions for people in the Torres Strait. There was no-one else in Queensland who had Ergon supplied power, except for the people in the Cook electorate, who were not allowed to have airconditioning. They were second-class citizens.

A government member: Not as part of the state.

Mr LUCAS: It was as if they were not part of the state; so we lifted that. The member for Warrego is not here now, but we opposed the federal government repeatedly on its push for full retail contestability, which would have meant the end to uniform tariffs and forced Queenslanders to pay more. In Longreach, instead of an average bill of \$771 per annum it would have been \$1,957. It is an article of faith in Queensland that we have a uniform tariff wherever people live—whether they live in Brisbane, Bamaga or Charleville—and that is something that has been a cornerstone. We have resisted the federal government in its push for full retail contestability—the mates of members opposite in the federal government, that is—so when we talk about the needs of people in rural and remote Queensland at least we know that this government has continued to support their having a uniform tariff for the power that they receive. Do members know what the difference would be? There is a cross-subsidy between the south-east corner and people in rural Queensland. People would get about \$30 off their bill in Brisbane. People not just in remote Queensland, but people in Townsville and Cairns, would pay massively more. We are not about doing that, and we stared them down.

I mentioned earlier the new transmission lines we commissioned—similar new plants such as Tarong North, Callide C, Millmerran and Sunnybank. The only merchant power station built in the national electricity market was Millmerran. The only one! Every other power station that was publicly owned in Australia of any size was privatised. The market actually built one. I should say that I noticed in the *Courier-Mail* a few weeks ago there was some discussion from the owners about the effect of Kogan Creek. It is ironic that that article was essentially a complaint about the price of electricity being a bit too low. They did not like it. It was a complaint about too much electricity, not 'not enough', but the fact is that Millmerran was built in Queensland and that is a vote of confidence in this state. Indeed, under the national electricity market \$3.5 billion of the \$5 billion invested was invested in Queensland.

I refer to Somerville's statement that distributors and their ability to spend on networks was not affected by the payment of special dividends. As the Premier said earlier today, the government has never turned down a request from Energex or Ergon Energy for an equity injection. The government has always made it clear to all GOCs that if they require additional funding for capital programs such funding would be forthcoming by way of equity injection. Some of those that Somerville referred to included Ergon, CS Energy, Enertrade, Queensland Rail, Central Queensland Ports Authority, Queensland Motorways and the Mackay Port Authority, just to name a few.

We had the member for Southern Downs recently remarking that Joh and the Nationals kept the lights on in Queensland. Obviously he has forgotten the Bjelke-Petersen government's complete inability to manage industrial relations and the months of unnecessary blackouts. Hear what the ETU say about what happened in those days—load shedding in the summer of 1984-85, which eventually saw a state of emergency declared.

The member for Southern Downs was a part of the Borbidge government that allowed plant failures at four power stations. The member for Maroochydore and the member for Burnett made fools of themselves this morning when they interjected about 'at least we kept the power on'. Here it is. The headline states 'Power cut chaos worsens'. There were three successive days of power outages under the

crowd opposite. The member opposite opposed the Millmerran to Middle Ridge powerline; that is what the member did. That is what happened in his electorate. When there was a chance to augment the power system, he opposed it.

Miss Simpson: Do you agree with Tony McGrady's statement that there is no crisis?

Mr LUCAS: At the same time—

Mr Horan: No, he won't answer that one.

Miss Simpson: Do you agree with Tony McGrady's statement that there is no crisis?

Mr Horan: Let him speak. Do you agree?

Mr LUCAS: I would be happy to take interjections from someone who occasionally took them themselves. I will treat them in exactly the same way as they take interjections when I give them to them. If members want people to take interjections maybe they should actually take a few themselves.

There were plant failures at Stanwell, Tarong, Swanbank and Gladstone on three consecutive days, 23 to 25 February 1998, when the Leader of the Opposition sat around the cabinet table. Worse than that, when he was not around the cabinet table before that he was on the mines and energy ministerial policy committee of the minister. He was intimately aware of those situations. This is what Tom Gilmore, energy minister, said at that time in *Hansard*—

In February 1998, plant failures in four of the state's baseload power stations—Stanwell, Swanbank, Gladstone and Tarong—together with another unit in Gladstone being off line for maintenance, led to rotational shedding for the several days.

Back to the incident last Friday evening—as a result of failure in New South Wales, it is regrettable but pales into insignificance with the track record of the Borbidge government in which the Leader of the Opposition was minister.

But what was their solution? On 17 March 1998, Treasurer Joan Sheldon was forced to apologise to parliament when she made at a Liberal Party convention a statement, 'I've got my own private theory that it might have been a bit of sabotage in the electrical unions.' She blamed the unions for four units going down. She had to go into parliament that day and apologise. The member for Toowoomba South would remember it. She said—

I am happy to apologise to the workers of Swanbank, Tarong, Stanwell and Callide power stations.

She faced a censure in which she was humiliated by an amendment moved by her own Premier that—

The House notes comments made in two ministerial statements earlier today by the Deputy Premier and Treasurer in relation to her withdrawing statements on the issue and her apologies to the workers involved.

That was how they handled that issue—blame the union and having them back down with the most humiliating apology. How much further were they in control? They scrapped Eastlink and built Westlink at a significant delay to the connection to the grid at a cost of \$100 million more. Some \$100 million was wasted—went up in smoke—because they canned Eastlink. They built the emergency peaker power stations—two in Townsville and one in Oakey. I said before that the Townsville stations ran on jet A1 fuel. We are in the process of now converting them, with a negative net present value and tens of millions of dollars in power purchase agreements that we are now trying to deal with.

What about the \$850 million that Joan Sheldon described as 'lazy equity'? It gets worse than that because the opposition leader is very fond of quoting letters from past chairs of Energex with respect to the current dividend policy. I table a board memorandum from the South East Queensland Electricity Corporation Ltd dated 29 January 1998. It says—

... directors were concerned about the proposed direction as it stood and requested that the proposed direction be amended

(i) to include a direction 'to borrow \$100 million from Queensland Treasury Corporation'.

They had been told to give an interest-free loan of \$100 million. That was part of Joan Sheldon's \$850 million. It was explained to them that there were two issues that were of concern to directors—

Directors were of the opinion that the proposed direction to pay \$100 million would be a valid direction (if signed)—

Obviously they forgot to sign it—

... but, as the company did not have \$100 million, it was considered that the direction should include a direction to borrow \$100 million from Queensland Treasury Corporation...

That was their government. That is a minute from the board of Energex when the opposition was in power. That is their indictment. When they want to get around quoting board minutes, they should start looking at what they did during their time there as well.

Can I say ultimately that the member for Warrego and I agree on one point—this is not about focusing on the past; this is about doing something for the future. I have spoken about some of the strengths of our industry and also some of our shortcomings, but this report was commissioned by this government. This report was built on work that we had already done. The Queensland government fought

very hard at a national level to get Queensland's model of transmission to defend the uniform tariff, to defend Queensland's interest in the national electricity market. Fundamentally, though, what the people of Queensland want us to do is act on the recommendations in there, and this is what this government will do.