




Speech By  
**Hon. Mark Bailey**

**MEMBER FOR YEERONGPILLY**

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### **ELECTRICITY AND OTHER LEGISLATION AMENDMENT BILL**

 **Hon. MC BAILEY** (Yeerongpilly—ALP) (Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply) (10.47 pm), in reply: I thank all honourable members for their participation in this debate. I also wish to thank the members of the committee who spent time examining this bill. As members have heard throughout the debate today, the Electricity and Other Legislation Amendment Bill is an important step to deliver on the Palaszczuk government's election commitment to merge the distribution businesses and drive efficiencies through the better integration of services and improved planning and maintenance of infrastructure.

This government has been very clear on its commitment to reduce network costs. In November last year, the Treasurer and I, as the shareholding ministers, directed Energex and Ergon to not appeal the Australian Energy Regulator's final determinations. In contrast, the ongoing appeal process in New South Wales has meant that, as a result, New South Wales electricity customers are facing higher electricity charges.

This merger is an important part of the government's debt action plan. The efficiencies achieved through this process will be used to reduce government debt. Making the businesses more efficient will release funds to invest in better services for all Queenslanders. The merger will create a more diverse business, where work practices will benefit from the combined experience and expertise of both companies. As an aside, when I visited the Energex and Ergon crews just over a year ago after Cyclone Marcia they were working together. Some of them had not seen each other since the last natural disaster. I can certainly attest to that exchange of skills and experience. This merged entity will continue to deliver high levels of safety, reliability and product excellence.

It is important to clarify that the bill does not provide for the establishment of the energy services business. The bill makes a number of consequential amendments to ensure various Queensland acts operate appropriately when Energex and Ergon become subsidiaries of the network parent company. Listening to the opposition speeches one might not gather those simple facts. The Corporations Act already provides a mechanism by which Energex, Ergon or the new parent company could incorporate a subsidiary. This bill is about ensuring that Energex and Ergon can continue to operate on a business-as-usual basis in a rapidly changing market.

Let me outline to the House how changing this market could possibly be. Bloomberg New Energy Finance research shows that the change in this area is substantial. Currently, we have less than one gigawatt of battery storage across the world. They are predicting that by 2040 there will be 759 gigawatt hours of battery storage. That is the kind of growth that we are looking at in the near future and that we need to be considering. They are also predicting that the battery take-up within 12 years will be on the same level as solar PV is right now. When we look at the cost of lithium ion batteries, the costs in 2010 were \$1,000 a kilowatt hour; they are already down to \$300 and by 2030 they will be down to \$120. We are talking about a plunge down to one eighth of the cost in 20 years. We have to look at the context in which we are merging these businesses and why.

We are also committed to consulting with stakeholders, including the MEA, about the establishment of the new energy services business. This consultation has been ongoing and will continue as we work towards establishing a clear charter for the merged business. Charters for the merged business will incorporate the results of the stakeholder engagement and is separate to the bill's progress through the parliament. It is dangerous to prescribe what the new energy services business will do at this early stage. The energy sector, as I outlined, has experienced a transition and disruption on a grand scale. After massive growth in the deployment of solar PV across Queensland rooftops over the last six or seven years, as a result of Labor policies, we know that the next wave of disruption in energy will be battery storage at home and on the network. I did miss a couple of the opposition speakers, but out of 16 speakers I recall it was in the contribution of the member for Caloundra before we even heard the word 'battery' being mentioned by the opposition. That is quite extraordinary. Like solar PV, battery storage looms large as prices and costs continue to fall, just like solar PV did five years ago. Andy Vesey, the CEO of AGL, believes costs will fall 60 per cent in five years, and he may well be right. We are starting to see the emergence of domestic battery technology, digital meters and home energy management systems. It is great news for customers, providing greater control over their energy usage and their energy costs. I note at our energy department stall at the Ekka last year, the one issue people were overwhelmingly coming up and asking advice of our departmental people about was batteries and storage. People are engaged, they are interested and they are keen to know when the costs will be at the sweet spot.

The change also provides great opportunity to providers across the energy supply chain, including Master Electricians, but it also creates a challenge for electricity grid owners to adapt to the new energy market. In a sector where the pace of technological development is clearly rapid, the challenge for governments and industry is that technology is often ahead of regulation. We have to be prepared and not to close off options for managing that change and the substantial amount of resulting work that will flow from it.

It is clear that these amendments, in anticipating where the market will go, would have unintended consequences. Importantly, what it would mean is that we would be impeded from responding to the huge demands that are anticipated. We must deliver on our commitment to drive efficiencies through better integration of services and improved planning and maintenance of infrastructure. The effect of the opposition's position would effectively be to allow the MEA to create a monopoly in a part of the market, the very thing that they are accusing the government of. They are looking at a demarcation to reduce options for consumers and also for retail businesses. It is in the best interests of all Queensland electricity customers that there is a healthy market of competitive energy service providers who are offering a range of grid connected services to customers in all parts of Queensland.

It is important that with efficiencies we keep costs down. The Queensland public elected us on a mandate to keep our assets in public hands and to operate them commercially and profitably. Part of that mandate was to merge these businesses and, through that, generate savings—something we were open with the Queensland people about. They were an election commitment.

**Opposition members** interjected.

**Mr BAILEY:** It might be a foreign idea to the opposition but we are wedded to our election commitments. We will deliver on them. This government has been very clear on its commitment to drive efficiencies and reduce network costs. In November last year the Treasurer and I as the shareholding ministers directed Energex and Ergon to not appeal those determinations. I have already outlined that ongoing appeal process in New South Wales. In Queensland our direction has meant that for the first time since the Queensland Competition Authority started determining electricity prices nine years ago, the fixed charge will reduce.

**Mr Hart** interjected.

**Mr BAILEY:** It did not happen under the opposition's watch, that is for sure. This was only possible because we kept our state assets in public hands. The recent Queensland Competition Authority determination is proof that the Palaszczuk government's efforts to stabilise electricity prices are working, with the average annual increase over the first two years of the Palaszczuk government for residential customers only 1.2 per cent per annum—below the inflation rate. Compare that to the full term of the Newman government where we saw 43 per cent increases. That was one of the key reasons the previous government lost the faith of the Queensland people.

**Mr Hart** interjected.

**Mr SPEAKER:** Pause the clock. Member for Burleigh, you are warned under standing order 253A.

**Mr BAILEY:** Let me speak briefly about the possible implications for the community service obligations where we subsidise electricity for regional Queensland so that people get a similar electricity price in Mount Isa, in Townsville and up on the cape as they do in South-East Queensland—a very important principle that has been part of our energy system and our economy in Queensland for 70 to 80 years. The government owned corporation revenue and dividends to government are on a downward trend. Consistent with our direction to our government owned corporation to accept the Australian Energy Regulator's revenue determination, pre-emptively restricting activities that the new energy services business can engage in could put at risk the government's ability to maintain the community service obligation the government currently pays to keep regional prices at the same level as those in South-East Queensland. This support comes at a cost of between \$500 million and \$600 million each year and is closely monitored by our government. Removing the CSO or undermining it could come at a significant cost to regional households and businesses alike, including members of the MEA. For example, I am advised that removing the community service obligation could increase residential prices by around 30 per cent in regional centres such as Townsville and many other places, with much higher increases in more remote areas where the cost to deliver it is more substantial. I would encourage all regional MPs, particularly those who have spoken against this motion, to consider what implication their position might have in terms of being able to subsidise regional electricity prices throughout Queensland if they got their way. In fact, the LNP members claim to be a defender of the regions but their ideology blinds them to the great opportunities for regional businesses—farmers, irrigators and graziers, for instance—of renewable energy to reduce on-farm costs. That is the new world that we are moving in and Labor understands that future.

I know that our parliamentary colleagues in this House in the Katter's Australian Party also understand that. We have had numerous discussions with Katter's Australian Party members about these issues. The government is committed to expanding opportunities for solar energy in rural areas. We know that the LNP members want this merger to fail. They want it to fail so that they can say that public ownership of our public assets does not work. This motion today is all about trying to nobble the efficiency of these great Queensland state assets. The LNP thinks there is no role for government organisations to operate commercially. It has it in for RoadTek, which operates commercially, efficiently and effectively at the coal face of our roadworks delivering for Queenslanders every day.

We understand that the MEA claims to represent members' interests, but I hope that they are not automatically taking whatever it is that the LNP is telling them. We will continue to work with the MEA. We believe that there will be more than enough work for all, as technological change becomes more affordable in the energy system. I encourage them to work with us constructively and without having regard to the LNP's clear fearmongering. I urge them to be open-eyed about the LNP's end goal of selling off our government owned corporations, which is something that we do not support.

We want consumers to have confidence when dealing with the new style of business that evolving technologies bring. As we speak, there is no national standard for battery installation, and that needs to be dealt with and dealt with soon. We are working with all the other states and the Commonwealth on this and we are playing a leading role. The COAG Energy Council is working with Standards Australia on an energy storage road map and Queensland is heavily engaged.

At this point, governments are not keeping track of available storage, in batteries or larger scale storage. Just recently, on 20 May, a consultation paper was released seeking industry and community feedback on how standards can best support the safe and effective rollout of energy storage. It is important that once those standards are established, work undertaken in the home is certified to comply with those safety standards for households. Both Energex and Ergon are at the leading edge of testing, trialling and integrating batteries to both households and the grid. I was very happy to visit some of those testing sites with the member for Barron River recently. In Cairns at the Ergon depot, two Tesla Powerwalls and a range of other batteries are being tested for their grid implications and their real-world relevance. That work is being done by Ergon and I know that Energex is doing similar work in Brisbane. In Cairns, those seven different batteries certainly have network implications. We are very happy to partner with, for instance, Sunverge, a US Silicon Valley renewable energy company, and ARENA on 33 energy management systems in Toowoomba, Townsville and Cannonvale, getting real-world data. That is happening right now and we are heavily involved in that work.

This work gives the Palaszczuk government real firsthand knowledge and experience to help shape the national regulations in this time of disruption and transition in the energy sector. Likewise, last year Ergon rolled out 20 industrial sized grid utility support system units across their regional network to supplement traditional poles and wires work to reduce costs. In the current budget there is an allocation for the next financial year. It is appropriate and important for Energy Queensland to continue this work. The merger will enable Queensland to take full advantage of emerging technologies

and the changing energy industry. The merger will also mean that the two networks can better leverage scale to invest in new technologies and find ways to better manage increasing levels of solar generation on the network.

A key objective of the proposed energy services business will be to facilitate opportunities for customers to access new grid connected products that allow them to control their energy usage, to lower their energy costs and to create greater value from their investments in solar, batteries and other emerging technologies. Retailers will be partnering with many providers to deliver the best outcome for customers. We anticipate that this will result in more job opportunities for electrical contractors and Master Electricians Australia members across Queensland as energy services grow in the future. Essentially, what we will probably see in the near future is something akin to what happened with solar PV, that is, once it takes off it really takes off. The transformation of the energy market is expected to create many more opportunities for the network business to engage with independent electrical contractors, to enable and support new services and products.

I will talk about what the new energy services business will likely do. The economic value and business models are only beginning to emerge now for new technologies. The potential roles for the energy services business in supporting those technologies will be determined by economic development, competitive neutrality and commercial considerations. However, the new energy services business will not install solar panels for residential customers. We are on the public record with that commitment. I reiterate that commitment here again tonight: the focus of the business will be on new markets and opportunities; it will not be about entering into markets that are already well serviced. We have said it before and we will say it again, even though the opposition does not want to listen or accept that fact. The new business is intended to focus on complex engineering solutions, utility scale offerings, highly regulated activities and platform services that allow for better integration of new technologies into the network. Beyond that, and in this time when the market and technology are evolving, we will not lock them out of other opportunities.

The new energy services business is not looking to compete with the current electrical service providers. That has never been the case. The work existing licensed electrical contractors do at the household level, such as solar installation, will continue and their relationship with a merged Ergon and Energex will also continue. The new energy services division will not only deliver up to 500 new jobs over the next decade but also expand the market for energy services overall, especially in regional Queensland. Electricians have been at the front line of rolling out hundreds of thousands of solar installations over the last several years across Queensland, as a direct result of Labor's incentive for solar uptake. In that regard, we are one of the world leaders in terms of the uptake of solar PV on domestic rooftops, which is something that this state should be proud of. Many times I have said that I want to see the sunshine state turned into the solar state. I remain committed to that goal.

As battery technology and markets emerge, we are also convinced that battery installation is another area they will move into and that the demand for that type of work will increase. All the signs are there and we believe there will be plenty of work in the market. We can guarantee that the new energy services business will compete on a level playing field with other providers, as it will be fully ring fenced from the regulated network business and functionally separate from the parent company's retail business. The LNP members are trying to frighten small business owners, because they want to bring public ownership into disrepute so that the member for Clayfield—Mr Asset Sales—can fulfil his ideological commitment of selling off our assets, despite the will of Queenslanders.

I will make one or two comments about ring fencing. Ring fencing is an absolute requirement under the national electricity rules for contestable activities. It is necessary to ensure that a monopoly business does not use its monopoly powers to cross subsidise and, therefore, distort an otherwise competitive market. Ring-fencing requirements are currently being reviewed at the national level and we expect that they will, in fact, be further strengthened. That is an important and relevant fact in terms of the discussion of this legislation.

I turn my attention to a couple of matters that were raised in the debate by various members. The member for Toowoomba North said that there was no evidence of savings. I refer him to the Transportation and Utilities Committee report at page 12. The committee requested further details about the estimated savings. Queensland Treasury's written response advised that the total merger and efficiency savings include cost reductions in both businesses from board members, executives, employees, contractors, consultants, property costs and ICT expenditure. The estimated net savings do not include any potential revenues from the energy services business or other unregulated activities. It also covers boards, executives, finance, human resources, shared services and network overhead functions, such as asset management and procurement. If only the member had read the parliamentary committee report, he would not have wasted our time on that particular matter.

There was only one submission to the committee. When you get one submission from the public, there is not a lot of evidence that there is a significant enough issue to start travelling around the state and asking people for their views. This was an election commitment. We were up-front about it. The people of Queensland support it. In fact, it will be headquartered in Townsville. Therefore, it is a very strange proposition that we should go to Townsville and ask the people there—the very people who will benefit from having the headquarters located in their city—whether they think it is a good idea. That is a pretty obvious waste of public funds and expenses.

In response to the question from the member for Warrego, I confirm that the employees of Energex and Ergon do not have to reapply for their jobs in Energy Queensland. The member for Southport referred to concerning statements in the Energex response to the QPC issues paper from 13 September 2015 regarding potential risks in this structural reform. Both the QPC issues paper and the submission by Energex assumed a merger between Energex, Ergon and Powerlink. Given the significant differences between network distribution and transmission businesses, the merger task and risk profile would have been fundamentally different from the merger of Energex and Ergon. The government weighed the risks of the different options in reaching its final decision on the merger model.

The opposition of the LNP is ideological. Let us be very clear about that. They support privatisation. The evidence is still very clear about that. The member for Clayfield said on ABC Radio in October last year that he sees the role of government only as a regulator and not as an owner. He is keeping his options open as the new leader. What we are seeing today is a continuation of that ideological position from the LNP of proprivatisation. They are doing it here in a different way. It is not based upon evidence.

We have gone to people with this policy. We are putting it through the parliament tonight purely on that basis. Given that we are the government, one would think the opposition would allow it to pass. They still seem to be caught up in their support for privatisation and the Strong Choices agenda.

I have certainly covered a whole range of mistruths and fear campaigns in my summing-up. I say, in terms of the marketplace that this merged business is heading towards, that this government is interested and engaged in the future. We are preparing for the future. We are looking to the future. That is part of the framework in this legislation.

I thought the absence of opposition members talking about the future market for energy was really quite amazing. I was glad to see that the member for Caloundra touched on it towards the end of his contribution. To his credit, and as a former minister for energy, no doubt he probably has a better knowledge base than most other members.

I say to opposition members that this has been one of the most predictable markets for about 50 years or so. The growth of the energy sector tracked with general economic growth very consistently. What we are seeing now is that technical change is bringing with it a lot of challenges and disruption. It is a fascinating and challenging area. It is fast moving.

It is in that context that we as policymakers and legislators have to be across that kind of detail and policy. I saw from the opposition tonight an absolute lack of knowledge about what is going on in the energy sector. It was the same speech repeated over and over again. The lack of original research, the lack of original knowledge and the lack of curiosity was quite telling. We are not going to make that mistake. As a government we are going to be making the best possible decisions.

There are public energy companies all over the world that are well run and play fantastic roles in terms of good outcomes and socially just outcomes. We are in that tradition in Queensland. We will continue in that tradition. In the marketplace we are seeing the growth of electric vehicles driving down the cost of batteries. Members should get their heads around some of those projections. As car makers like General Motors start mass producing accessible electric vehicles, the cost of batteries is plunging. That is going to have a massive impact in the energy sector.

Lithium battery firms are doing very well at the moment, for instance. We are seeing exponential growth in renewable energy right across the world. We are also seeing an industry that is doing the work around how the configuration happens. This merged company will play a significant role in that regard. With this renewable energy era on our doorstep, what we had was an ignorant team effort from the opposition. We are preparing for the future. This is a sensible bill. It is fulfilling our election commitment. It deserves the support of this House.