Speech By
Shane King

MEMBER FOR KALLANGUR

Record of Proceedings, 24 August 2017

PUBLIC WORKS AND UTILITIES COMMITTEE

Report, Motion to Take Note

Mr KING (Kallangur—ALP) (12.33 pm): I move—

That the House take note of the Public Works and Utilities Committee report No. 38, *Auditor-General report to parliament 5: 2016-17—energy: 2015-16 results of financial audits*, tabled 31 May 2017.

This report represents a summary of the Public Works and Utilities Committee's examination of the inquiry into the *Auditor-General report to parliament 5: 2016-17—energy: 2015-16 results of financial audits*. On behalf of the committee, I thank the committee secretariat and the Queensland Audit Office for their assistance in our consideration of the Auditor-General's report. We made one recommendation, which was that the Legislative Assembly note the contents of the report.

Our government entities, which are still in public hands, are: the generators, Stanwell Corporation and CS Energy; the transmission business, Powerlink Queensland, an entity I know well; the distribution businesses at the time that this audit was done, Energex and Ergon Energy; and the retailer, also Ergon Energy. We own quite a robust transmission network in Powerlink, which runs for approximately 1,700 kilometres from Cairns to New South Wales. As I said last night, from time to time Mother Nature takes its toll and it costs money to maintain and keep the network going.

We have kept those electricity assets in public hands, which provides a direct cost-of-living benefit to the people of Queensland. If members opposite had had their way when in government, many of those businesses would have been fattened up and sold off, and the profits would have been sent interstate or overseas. Instead of working for the people of Queensland, those businesses would have been working for the shareholders. Because we kept our power assets in public hands, for the benefit of all Queenslanders we are able to reinvest the dividends they pay into essential services such as the uniform tariff policy. That policy sees us make payments in the order of $500 million a year to ensure that regional Queenslanders pay similar prices for electricity as those who live in the south-east corner, despite the much higher costs of supply in regional Queensland. It does cost a lot to supply electricity to regional Queensland.

We have been able to leverage this ownership to ease the hip-pocket impacts of electricity price volatility being felt across the nation. We did this by directing Energy Queensland to remove the cost of the Solar Bonus Scheme from electricity bills over the next three years, reducing projected household bill increases by half, from 7.1 per cent down to 3.3 per cent. We directed Stanwell Corporation to modify its bidding practices to put as much downward pressure as possible on power prices. That action resulted in an immediate decrease by 10 per cent in forward contract prices, which have since continued to fall. We also directed Stanwell Corporation to restart Swanbank E Power Station, bringing it back online in time to increase supply for this summer's peak demand, placing further downward pressure on power prices.

The QAO concluded that the energy entities used good financial reporting practices to produce high-quality financial statements for 2015-16 in a timely manner. They also stated that the merger of Energex and Ergon into a single entity, EQL, is expected by its shareholders to result in cost efficiencies. Further, energy government owned corporations are financially sustainable and CS Energy's sustainability has improved. CS Energy had not reported a profit since 2008-09, except for 2014-15, and has accumulated significant losses. However, management have forecast the entity will be a profitable business in the medium term.

In conclusion, the Audit Office said that, in terms of sustainability and structure, they look at the way that the entities are funded, that is, the split between debt and equity. Obviously as debt rises the proportion of funding also rises, and there is more risk associated with debt. There is no indication in their reports that the debt and equity proportions are outside of industry practice. Our industry is in good hands. It is in state government hands and we are going to keep it there.