

Dissenting report from Government Senators

1.1 The Senate Select Committee into the Scrutiny of Government Budget Measures inquiry into the Tasmanian energy supply challenges was a thinly veiled attempt by the Labor and Greens political parties to politicise the current energy supply challenges facing the Tasmanian community.

1.2 Government Senators are critical of attempts by the Green and Labor members to use this committee as a means to engender uncertainty in the Tasmanian community, based on a number of factual inaccuracies and misrepresentations of the underlying circumstances that have contributed to the current challenges.

1.3 Government Senators also note that the Labor and Green members of the committee failed to articulate how the Terms of Reference of the committee were relevant to the nature of the inquiry.

1.4 Government Senators note that the Tasmanian Government is currently dealing with a unique and unprecedented combination of events, namely record low rainfall and an extended outage of the BassLink interconnector.

1.5 The combination of these events has meant that water storage levels in the hydro catchments have been progressively declining over more than 6 months.

1.6 However, Government Senators note that the Tasmanian Government has responded decisively and appropriately with the implementation of the Tasmanian Energy Supply Plan to ensure that energy security can be assured for the Tasmanian Community.

1.7 The Tasmanian Energy Supply Plan incorporates the progressive installation of approximately 220mw of temporary diesel generation, restoring the gas generating units at the Tamar Valley Power Station to full operating capacity and negotiated load reductions with Tasmania's major industrial users.

1.8 The Tasmanian Government has clearly stated that forced power rationing or load shedding is not required under its Energy Supply Plan, but nevertheless has encouraged Tasmanian households and businesses to be prudent with regard to energy consumption.

1.9 Government Senators appreciate that costs associated with the Energy Supply Plan will be considerable, but also recognise that the cost of doing nothing and introducing alternative measures such as forced power rationing as advocated by the Tasmanian leader of the opposition will create greater risks and uncertainty for the Tasmanian community and economy.

1.10 Government Senators note that the costs associated with the Energy Supply Plan will be borne by Hydro Tasmania and acknowledge the advice that regulated prices, which cover the vast majority of households and small businesses, will not be impacted by the actions in the Energy Supply Plan.

1.11 Government Senators are also concerned that the majority report fails to reflect on the water management decisions made by the previous Labor/Green Government of which it should be noted that Senator McKim was a Cabinet Minister

and at one stage had Ministerial responsibility for some elements of the energy portfolio.

1.12 In particular Government Senators are critical of the Labor/Green strategy to exploit the Carbon Tax between 2012 and 2014, resulting in water storages in the Hydro catchments reducing from 60% total energy in storage to 30%.

1.13 This strategy was further exacerbated by the decision under the Energy Minister at the time, Mr Bryan Green, to reduce the prudent water management levels from 30% to 25%. Clearly this was a strategy designed to maximise profits from the Carbon Tax at the expense of energy security.

1.14 Government Senators note that in providing evidence to the Committee the opposition leader, Mr Bryan Green stated that these matter were operational decisions by the Hydro

1.15 However, when further pressed on whether Ministerial approval was required, it was concerning that Mr Green equivocated and told the committee it may have been part of a document he signed.

1.16 It is also important to note that during the period of the Carbon Tax Tasmanian households and businesses were paying almost 10 % more for power generated from renewable sources

1.17 Government Senators also consider it is important to correct a number of false assertions in the majority report, particularly in relation to the Tamar Valley Power Station. The Tasmanian Government is clearly on the record that following a request from Hydro Tasmania permission was given for Hydro Tasmania to investigate a possible divestment of the Combined Cycle Gas Turbine, subject to strict conditions particularly in relation to energy security.

1.18 At no stage was the Combined Cycle Gas Turbine divested and is now making a significant contribution as part of the Tasmanian Government's Energy Supply Plan.

1.19 **In response to Recommendation 1**, Government Senators saw no evidence to suggest the Tasmanian Government has not been fully transparent. On the contrary, Government Senators believe the Tasmanian Government has been keeping the Tasmanian community fully informed in regards to the implementation of the Energy Supply Plan, including regular weekly updates.

1.20 In fact, it should be acknowledged that Minister Groom voluntarily agreed to appear before the committee on behalf of the Tasmanian Government and the Chair thanked the Minister for being generous with his time.

1.21 **In response to Recommendation 2**, Government Senators note that the Tasmanian Government has moved to establish an independent Energy Security Taskforce, comprising experts with considerable expertise in the energy industry.

1.22 In addition the Public Accounts Committee of the Tasmanian Parliament has recently established its own terms of reference to specifically look at the circumstances underlying the current energy security challenges in Tasmania. The

Public Accounts Committee has an influential oversight function in the Tasmanian Parliament with significant powers to call for witnesses and evidence.

1.23 It should be noted that in relation to the second interconnector both the Australian and Tasmanian Governments have agreed to the establishment of a joint taskforce to specifically advance the business case for a second interconnector. This will build on work already undertaken by the Tasmanian Government and Hydro Tasmania.

1.24 **In response to Recommendation 3**, Government Senators note that there are already frameworks in place to develop national approaches to the development and management of electricity infrastructure including the Australian Energy Market Commission, the COAG Energy Council, the Clean Energy Financing Corporation and Infrastructure Australia.

1.25 **In response to Recommendation 4**, Government Senators note that the Tasmanian Government has stated that one of the key activities of the Energy Security Taskforce will be to examine the potential for further renewable energy development.

Recommendations

Recommendation 1: That the Committee commends the extraordinary effort of all those involved in the Tasmanian Government's response to the challenging energy supply situation, particularly the employees and contractors of the State's energy businesses.

Recommendation 2: That the Public Accounts Committee established by the Tasmanian Parliament closely examine the impacts of the Carbon Tax on energy security in Tasmania, in particular:

- (i) the extent to which the Carbon Tax encouraged the draw-down of water storages to maximise profit, and;
- (ii) the extent to which the former Labor/Green Tasmanian Government used revenue from the Carbon Tax to underpin State Government expenditure.

Senator Dean Smith

Senator Sean Edwards

Senator James Paterson