

**Western Power —**

Mr P. Abetz, Chairman.

Dr M.D. Nahan, Minister for Energy.

Mr P. McCarthy, Principal Policy Adviser, Energy, Department of the Premier and Cabinet.

Mr S. Helm, Chief of Staff, Department of the Premier and Cabinet.

Mr P. Italiano, Chief Executive Officer.

Mr M. Wilshusen, Engineer, Network Performance.

Mr S. Hart, Chief Financial Officer.

Mr D. Fyfe, Executive Manager, Process Performance.

[Witnesses introduced.]

**The CHAIRMAN:** Are there any questions? The member for Cannington.

**Mr W.J. JOHNSTON:** I refer to the Future Grid alliance, and I thank the minister for the answers to some questions that I put on notice. I quote one of the minister's answers —

The Future Grid alliance is a commercial arrangement between Western Power and Transfield. Therefore, it is not an employing entity.

Why is Western Power spending \$2 million a year on accommodation for Future Grid if it does not have any employees?

**Mr P. Italiano:** Future Grid is not a legal entity and does not have the right to employ employees. Future Grid is treated as a division within Western Power and it undertakes quite a considerable part of our customer-funded work. Any accommodation costs that are incurred by employees undertaking that work are billed to the alliance—it is labelled Future Grid alliance accommodation expenses.

**Mr W.J. JOHNSTON:** Does Western Power know the number of employees it has in Future Grid, which it says is treated as a division of Western Power?

**Mr P. Italiano:** Yes, we do. We include those employees in our headcount numbers for our workforce in our annual report.

**Mr W.J. JOHNSTON:** I did not hear that answer.

**Mr P. Italiano:** We include the number of employees who work for Future Grid in our workforce calculations and disclose that in our annual report.

**Mr W.J. JOHNSTON:** Does the CEO know how much each person in the alliance is paid?

**Mr P. Italiano:** Yes.

**Mr W.J. JOHNSTON:** Is that information easily available to Western Power?

**Mr P. Italiano:** Yes.

**Mr W.J. JOHNSTON:** Would the minister be prepared to make that information available to the people of Western Australia?

**Dr M.D. NAHAN:** I am not going to disclose the wages of individual people.

**Mr W.J. JOHNSTON:** I am not asking that.

**Dr M.D. NAHAN:** What is the member asking then?

**Mr W.J. JOHNSTON:** I am asking the same question that I asked on notice—question on notice 907—which states —

- (a) how many employees are engaged by Futuregrid;
- (b) how many of these employees have a wage or salary in the following bands:
  - (i) less than \$100,000;
  - (ii) \$100,000 to less than \$150,000;
  - (iii) \$150,000 to less than \$200,000;
  - (iv) \$200,000 to less than \$250,000;

Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Jan Norberger; Mr Ben Wyatt; Mr Dean Nalder; Mr Fran Logan; Mr Matt Taylor

---

- (v) \$250,000 to less than \$300,000; and
- (vi) \$300,000 and over;

**Mr P. Italiano:** If the member's question relates to the people who are allocated to the work that is undertaken under the banner of Future Grid, we can supply that information for him on notice, if he so likes.

**Mr W.J. JOHNSTON:** I am happy to put that same question back on notice—if the minister is going to answer it this time—given that, apparently, the information was always available but for some reason the minister chose not to provide it.

**The CHAIRMAN:** On notice?

**Mr W.J. JOHNSTON:** Yes, I am happy to put it on notice, as long as my question gets answered this time.

**Mr J. NORBERGER:** I refer to the third dot point under the heading “Asset Investment Program” on page 752 of budget paper No 2, which refers to maintaining service levels and improving service delivery through efficiency. What actions has Western Power taken in the past financial year to demonstrate that it is being more efficient?

**Dr M.D. NAHAN:** Western Power's expenditure, particularly its capital investment is very large. It represents a very, very large proportion of the state's total capital works budget. It is one of our largest organisations, with more than 3 500 employees. It provides an essential service in poles and wires, the transmission and distribution system and the repair and maintenance of those. It has a major impact on our budget. It is a regulated monopoly; therefore, the Economic Regulation Authority, in consultation with Western Power, determines its capital works project over a number of years, and then the ERA determines it and allocates the cost through the electricity grid. It is very important that this thing becomes efficient. I will pass over to the CEO to describe some of the initiatives.

**Mr P. Italiano:** There has been a significant change in the management of Western Power over the last 12 or 18 months. There has been a change in management focus as a consequence of the change to personnel. There is a renewed rigour that is being applied to the review of both capital and operational expenditure in the operations of Western Power and a refocus of the organisation on its core functions, which are to connect people to electricity and to do that in a safe and reliable and, importantly, an affordable manner. By focusing on a very clear statement of our core objectives, we have been able to focus the energies of the organisation on those things that produce specific outcomes for energy consumers in Western Australia. This has led to a significant improvement in productivity of the organisation and improvements to operating efficiency.

[3.10 pm]

**Mr B.S. WYATT:** The member for Joondalup is referring to the deferred access arrangement. Bearing in mind that we are a couple of months into the 2013–14 financial year, has Western Power prepared business cases for government with respect to the additional \$1.1 billion in asset investment that is not currently accounted for in the forward estimates of this budget?

**Mr P. Italiano:** We are in the process of developing the first of those business cases. At the moment the budget provides Western Power with sufficient funding to meet its obligations in this year's activities under the access arrangement. This year we will be preparing business cases for the items of expenditure that we believe we need in order to achieve the customer service outcomes in the access arrangement in the out years of the budget.

**Mr B.S. WYATT:** Is there a particular year that is most problematic regarding the funding that is being sought? We were told that funding for Western Power is sufficient for 2013–14. Does it become a problem in 2014–15 or 2015–16?

**Mr P. Italiano:** I would not say that it would “become a problem”. At the moment there is a difference between the capital expenditure that was allowed by the ERA in its access arrangement decision and the capital funding that is provided for in the budget. About 50 per cent of it relates to growth. There are different assumptions regarding the growth forecasts and the demands on the network. If that growth does not materialise, quite rightly we would not need to incur that capital expenditure. For the balance of it, we can look at how much of it can be achieved by operational savings in Western Power and efficiencies driven through the business and then we only have to look at what business cases we require to make up the difference. We are in the process of evaluating that. We believe that we will have a very sound business case when we put it forward. At this stage we are looking at the out years of the budget period only and we are not anticipating any concerns in the next financial year.

Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Jan Norberger; Mr Ben Wyatt; Mr Dean Nalder; Mr Fran Logan; Mr Matt Taylor

---

**Mr B.S. WYATT:** I am speaking from memory, so the minister will have to excuse some of the errors I may have. From memory, there was some reporting of the 2012–13 financial year revenue shortfall for Western Power as a result of solar panels. Comments were made either by the minister or by the Treasurer that that revenue shortfall would be made up in the next financial year. From memory, I think it was in the order of \$70 million. I assume that will feed into tariff increases in the future or is the modelling caught up, I guess, with that revenue difference that we had last financial year so there will not be ongoing revenue holes to make up?

**Dr M.D. NAHAN:** I will pass over to the CEO in a minute, but I understand that the ERA decides over a period of five years that Western Power has this much capital to spend each year and then it estimates how much electricity is going to go through the system and apportions that cost accordingly. If the volume of electricity transacted is not as expected, that leads to Western Power not recovering its allocated fixed costs for that year, and it has to be made up in the second year. One of the reasons Western Power did not recoup its total budget for that year was solar power but it was not a major reason; there were a range of factors, and I will ask Paul to explain. The real issue—it is important in the solar power debate—comes down to a couple of points, and I ask the member to bear with me. Western Power never came to me and complained about solar on its grid, nor is it really worried about that if solar power leads to lower consumption and therefore a less than budgeted recoup in the year. The ERA and Western Power arrange it so that is made up in subsequent years—they get the money. Western Power is quite agnostic about solar power. I will pass over to Paul. A number of other factors led to the shortfall. He will also describe the ERA’s arrangement to recoup that money in future years.

**Mr P. Italiano:** As I am sure the member is well and truly aware, Western Power operates under a regulatory model, which provides us with a capped revenue for the period of the access arrangement. Essentially, that means that the amount of revenue that Western Power receives during the period of the access arrangement, which in this case expires in 2017, is fixed. The revenue for Western Power is recovered from consumers on a variable cost basis. The fixed revenue line item is recovered over a variable consumption base. Each year that consumption is estimated to determine a rate and then the rate is recovered according to how much is consumed. In some years the consumption is higher than estimated, in which case there is a payback in the subsequent year. In some years the energy consumed is lower than was estimated, in which case there is a recovery in the subsequent year. That is known within the regulatory model as the K factor. This year the recovery was \$93 million. We will get that back in the subsequent year. It means that the revenue Western Power receives is in accordance with the access arrangement determination over the five years and it is kept whole as a business.

We estimate that approximately \$7 million of the \$93 million could be attributed to the effect of PVs on the network. The revenue to Western Power is not only on a consumption basis; some of our customers pay a service fee to Western Power based on the capacity charge that they receive. Household consumers account for less than 40 per cent of the revenue of the organisation. The balance comes from small to medium enterprises and large customers. They are charged for a service based on a non-consumption charge model. Under the regulatory formula, some of those customers have the option to pay according to consumption or to capacity, depending on which suits them. They have the opportunity to make that decision very late in the financial year. Like all organisations, they seek to minimise the operating cost to their organisation and they make a determination on which model to pay their electricity charge according to what gives them the lowest cost. During the past 12 months, slightly lower than anticipated economic activity and better consumer behaviour in terms of more efficient behaviour with consumers, more efficient appliances, PVs and lower economic activity resulted in a number of those small to medium enterprises electing to move to a different charging model, which resulted in slightly lower revenue during the 2012–13 year, and that will be recovered in the K factor during 2013–14.

**Mr D.C. NALDER:** I refer to the line item for the Mid West Energy Project under “Works in Progress” on page 753 of budget paper No 2. Can the minister advise whether this major infrastructure project is on time and on budget, and what benefits will it bring to the midwest region?

**Dr M.D. NAHAN:** I visited that project a couple of months ago. It is probably the largest investment in the expansion of a transmission grid in Western Australia in a long time. It is designed to do a couple of things, including expanding the grid in the midwest. The Karara mine, which is paying for it, is attached to it. It had difficulty getting off the ground but it did. It got through the economic regulator. One of its major objectives is to provide a conduit for the wind resources of the midwest and to transmit electrons to the grid. The real key factor is to supply the large load in the midwest. The one that really drove it was tapping into the wind resources of the midwest. It has two phases. I will ask the CEO to give the member the up-to-date position. It was planned to go into Geraldton eventually. A business case is being looked at. From all assessments, it has been quite a success story. I will pass over to Paul to round out what I said and update the member on where the project is now.

[3.20 pm]

Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Jan Norberger; Mr Ben Wyatt; Mr Dean Nalder; Mr Fran Logan; Mr Matt Taylor

---

**Mr P. Italiano:** The midwest project represents a significant investment of capital by Western Power and significant infrastructure development for the state. It is a project that carries a great deal of focus for us as an organisation. We understand the criticality of the funding that we have received and the amount that is being invested in this. We are very happy to say that at the moment the project is running according to schedule and according to budget. Barring any unforeseen circumstances, we see the line achieving its energisation date in June 2014 and we see that that line will significantly enhance the capacity for energy in the midwest area.

**Mr F.M. LOGAN:** The minister is aware that that project has been in train for a long time. In fact, the first application for funding was made by our side of government, me in particular, to get that project up and running. Of course, the original application for funding was for the whole line, all the way to Oakajee, effectively, because the nature of the beast was to provide power to Geraldton, Oakajee and some of the mines in the northern part of the Geraldton region such as Tallering Peak. I know Mr Italiano referred to a business case just now, but has any further work been done on the line to Geraldton–Oakajee and is there any idea of what will be the cost to finish that project?

**Dr M.D. NAHAN:** The member pre-ambled the question and his arguments are all sound. I support that and pass to the CEO to answer the question.

**Mr P. Italiano:** Thank you very much for the question. The model we are working on at the moment is to make sure Western Power is in a position to respond very quickly once there is an economically justifiable demonstration for the demand emerging in Geraldton and the upper midwest regions. That work is being done at the moment. The work includes an examination of the preferred line routes, an examination of any environmental and land access issues and an examination of the various construction options and the cost of those construction options. There is also some engagement with the local community to get it to work with us to help anticipate energy demand needs and ensuring that a satisfactory economic model gives us the support we need to satisfy the economic regulatory tests we have to satisfy to go ahead. Once those tests are satisfied, we will be in a position to move very rapidly.

**Mr F.M. LOGAN:** There was another part of the question that was not answered. We are not holding the minister to this, but is there an estimated cost of that part of the line?

**Mr P. Italiano:** No, not one we are raising at the moment. There is a real rule-of-thumb type of number out there. It is so subject to variation that it would be dangerous to mention it, and that type of line would be the sort of thing we would put out to contract. I think it is best we keep our rule-of-thumb idea confidential.

**Dr M.D. NAHAN:** As the member for Cockburn well knows, that is subject to Economic Regulation Authority approval. As in the past, as he is fully across, there has to be some flexibility in the adjustment of the definition of the project if we are to get it through. It might be determined by what wind resources are used up there and further, and other projects on the ground. Right now we do not have a clear enough estimate of the demand to come up with an adequate costing for the project.

**Mr F.M. LOGAN:** My question relates to the various parts of the business highlighted under “Works in Progress” and services provided by Verve. It is effectively a general question. How many mutually agreed separations have been negotiated with staff for the past financial year and what is the aggregate cost of those separation payments?

**Mr P. Italiano:** I do not have the detail of that available. I am quite happy, obviously, to supply that information on notice if the member would like.

**Mr F.M. LOGAN:** If the CEO could.

**The CHAIRMAN:** Is that on notice or supplementary?

**Mr P. Italiano:** Supplementary.

**Mr F.M. LOGAN:** How many separations have been negotiated with staff by Western Power in the past 12 months, what is the aggregate cost of those separation payments, and what are the reasons for the separations; that is, why were the positions abolished?

**Mr P. Italiano:** With respect, I would like to make a couple of comments, and see where we go from there. Obviously, with an organisation of our size, from time to time, we need to make changes to our workforce to better align it with the direction of the organisation and the expectations of stakeholders and customers. In some of those circumstances the rationale behind the termination is sensitive or commercially confidential. Would the member be satisfied if we gave him a general description?

**Mr F.M. LOGAN:** Yes. There might be some personal reasons so we are not asking about that, but for a general description.

Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Jan Norberger; Mr Ben Wyatt; Mr Dean Nalder; Mr Fran Logan; Mr Matt Taylor

---

**Dr M.D. NAHAN:** To clarify, it is an indication of the separations from Western Power over the past 12 months and the aggregate cost of those and the general reasons for separation.

[*Supplementary Information No B35.*]

**Mr W.J. JOHNSTON:** I refer to the amounts for the line item “Internal Funds and Balances” for financing the asset investment program at the bottom of the table on page 753. There is \$467 339 000. How much of that comes from customer funding in the next 12 months? Depending on the answer, I might have a couple of follow-up questions.

**Mr S. Hart:** Is the member referring to capital contributions? I can give him that number.

**Mr W.J. JOHNSTON:** I have heard Western Power use the term “customer funded” projects before, so I was using that term, but if there is a more accurate term, that is okay.

**Mr S. Hart:** The number I have on hand is for capital contributions, which also include gifted assets. For the 2013–14 year, about \$156 million is coming into the organisation.

**Mr W.J. JOHNSTON:** Will there then be amounts owed to the government, as the shareholder, arising from that \$156 million for dividend and tax equivalents and what is that amount likely to be?

**Dr M.D. NAHAN:** That is treated as a gifted asset and as revenue.

**Mr S. Hart:** In this financial year we were successful in discussions with government to have the capital contributions and gifted assets come back to us as an equity injection, which the member will see in the budget papers and which has not been the practice in the past. Therefore, although we pay a dividend of 65 per cent, we then get an equity injection back for those notional elements, which, as the member will appreciate, is money we get for investing in that customer’s asset, if we like, or we are getting gifted assets coming in which, for accounting standard purposes, we have to record as revenue, so we are out of pocket, if we like, from a cash-flow point of view. That has been recognised by the government and we have made that adjustment.

**Mr W.J. JOHNSTON:** I understand that the ERA considered this matter in respect of gifted assets and made a decision that allowed Western Power to add, effectively, the financing costs—I am not sure that is the correct word—or the additional costs for Western Power, because of those gifted assets, to take account of the need to treat that as profit and pay a dividend to government. Is that correct? If this is now being returned to Western Power, are there any implications for the ERA’s treatment of those assets?

[3.30 pm]

**Mr S. Hart:** There are two elements to this. One is the tax payments that are applicable to that and the other one is the dividends. I have just covered the dividends. As it relates to tax payments, we are not actually in the position of making tax payments, as can be seen in the budget papers. The Economic Regulation Authority dealt with only the tax payments; it does not really care about who does or does not get dividends. It was regarding tax payments. It had a view that that should not be attributed to all tariff customers, and we are considering that right now.

**Mr W.J. JOHNSTON:** Sorry?

**Mr S. Hart:** We are considering what the implications of that are, because it has been a practice in the past to absorb that tax cost.

**Mr W.J. JOHNSTON:** In the next short while, there will be an answer.

**Mr S. Hart:** As it relates to the budget, we are not in the position in which we are paying tax, so it is not an immediate issue.

**Mr M.H. TAYLOR:** I refer to the “Works in Progress” on page 753 of the *Budget Statements* and the line item for pole management. Considering the large number of poles in the Western Power network and the need to repair or replace them, can the minister advise how many poles have been replaced or reinforced in this financial year and how many last financial year?

**Dr M.D. NAHAN:** There have been a number of inquiries, including a major one in the upper house, into the issue of poles, Western Power and, to some extent, Horizon. As a result, there was a request for a substantial increase in investment generally, and specifically in poles management and the upstate of both the investment and maintenance of those systems. Both Western Power and Horizon have stepped up to the mark and have a massive pole investment program. I will hand over to Mr Paul Italiano, who is full bottle on poles.

**Mr P. Italiano:** I have become an expert on poles. There are over 650 000 wooden poles in the network. The network is over 260 000 square kilometres. The maintenance of wooden poles in the network is a significant challenge for the organisation. Western Power made a commitment last year to replace or reinforce a significant

Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Jan Norberger; Mr Ben Wyatt; Mr Dean Nalder; Mr Fran Logan; Mr Matt Taylor

---

number of poles in the network. We have exceeded our target of 65 911 poles. The wooden pole replacements have increased by 12 per cent to 17 432, which is more poles than have ever been replaced before in Western Power's history. The reinforcements increased by almost 100 per cent with 48 479. I am pleased to say that Western Power has exceeded the delivery of the wooden pole treatments that it made a commitment to last year and is well on track to achieve the targets for this year as well.

**Mr F.M. LOGAN:** There was a significant program undertaken by Western Power of helicopter-based analysis of every pole in the system. The program was undertaken by Heliwest, which was contracted to Western Power. I know this because I sat in the helicopter in Esperance and looked at the information that had been gathered. It was thermal imaging with a Corona high-definition camera. There were about four different cameras on the helicopter. Unfortunately for the pilot, the chopper had to spin around every single pole before moving on to the next one to get a full-definition image of the crossbar and the state of the pole. All of that information was then put into a program, and every single pole numbered. A pole could be brought up on screen and the imagery, which could be infra-red imagery, could be examined. How is that program going? Is it still going? Has the information been uploaded? Will further work be done on that program?

**Dr M.D. NAHAN:** I detect that the member remembers very clearly that process. It must have been a hell of a job.

**Mr P. Italiano:** Sorry for being flippant for a moment, but having spent a little time in a helicopter, I do not think that would have been a pleasant job.

I was not aware of that level of detail. One observation I would make is that Western Power is not responsible for the electricity network in Esperance; that belongs to Horizon. Maybe some of that data was in the regional areas and outside of the south west interconnected system. However, I can say that Western Power has been investing quite significantly over the past few years, and more recently in the last financial year, into improving its database on pole management and asset management more generally. A visit was made by the upper house Standing Committee on Public Administration to Western Power in November last year. Committee members were given a demonstration of Western Power's asset management software and its ability to identify an asset using aerial and satellite photographs, to identify asset numbers, to pick up photos of those assets and to view a condition report that notes when the pole was last inspected and what asset plans there are. To the extent of the specific question asked by the member, I can only assume that the data to which he referred has been captured by that system we were looking at. For me, as a relative newcomer to Western Power, we had an impressive amount of data on each individual asset, and the member has helped me to plug some of the gaps in my understanding of how we got that data.

**Dr M.D. NAHAN:** There is a further comment from Mr Wilshusen.

**Mr M. Wilshusen:** It is not every pole in the network, but it is certainly all of our transmission poles, which are the bigger and more expensive poles. We are taking high-definition photographs of all the pole tops so we can identify defects. That information gets fed back into the asset management systems and is used to drive our operating and maintenance programs to fix up all those things that cannot be found with a ground inspection. Yes, we are using that information.

**Mr F.M. LOGAN:** Can I assure the minister and the new CEO that that work was done on the other poles as well. It may well be found on CDs that have been left lying around in a back office. It cost the state a significant amount of money—tens of millions of dollars—and unfortunately it did not find its way into the upper house inquiries. It should have done because it would have provided a lot more information about what Western Power did or did not know prior to those fires in Toodyay and the north west. If the minister would like some confirmation of that, I would suggest talking to Heliwest.

**Dr M.D. NAHAN:** Point taken.

**Mr J. NORBERGER:** I refer the minister to page 753 of budget paper No 2 and "Works in Progress" and the line item "Safety". Considering the inherent safety risks with an electricity network, how is Western Power prioritising safety programs this financial year to ensure that public safety remains paramount?

**Dr M.D. NAHAN:** I will pass over to the CEO in a minute but we have had many discussions with Western Power and safety is of paramount importance, both with customer use of the system and with workers.

**Mr P. Italiano:** This is a fundamental component of the revised strategic direction for the organisation—to focus very heavily on the core of the service that it provides to the community, which is a safe, reliable and affordable connection to electricity. The organisation has placed a great deal of emphasis on understanding what the safety hazards are to the community, both in terms of property damage and personal injury, and the root causes of the risks that give rise to those outcomes, particularly the risks of fire ignition and electric shock. Asset investment

Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Jan Norberger; Mr Ben Wyatt; Mr Dean Nalder; Mr Fran Logan; Mr Matt Taylor

---

and asset management programs have been re-cut to focus investment on those assets that contribute to the causes of risk to the community. There is quite a significant shift in the identification of risk and the allocation of work. There is also a difference in the way that we approach the allocation of work to the crews to ensure that we optimise the production of the teams. That is colloquially known as ZBAM. It is zone-based asset management, taking away asset management approaches from an asset-specific orientation, as in poles, wires, transformers and substations, and moving it towards a more zone-based approach, so that we can then allocate a whole crew of combined resources to a specific area and focus their attention on restoring and repairing and any of the work that needs to be done in that specific area. We are finding that that produces really positive results on production and allows us to go straight to the areas that represent the highest risks to us, such as high and extreme bushfire zones and particularly those areas where there are concentrations of people and private assets that can be affected by faults in the network. Therefore, it is quite a significant change to the organisation. With respect, I understand that zone-based asset management is not something new to Western Power, but I think it is a return to a more pragmatic approach for how we allocate work and prioritise the jobs that we do.

[3.40 pm]

**Mr W.J. JOHNSTON:** The minister recently had a grievance from the member for Moore about Western Power's tendering arrangements. This issue has been raised with me by a number of people, particularly people in business and developers. I will remind the minister of the member for Moore's issue and quote *Hansard* from 15 August —

The Shire of Chittering was provided with an initial quote of \$45 922 to connect barbecues at the Sussex Bend reserve. A more recent fixed quote came in at \$2 240.

I had a case raised with me by a family property developer—not a broadacre developer, but an infill property developer—about a \$10 869.35 quote from Western Power for the installation of green domes for a five-unit development in one of the existing eastern suburbs. I wonder whether Western Power has any comment about the questions that are being asked by so many people about the problems in dealing with these infrastructure costs and the estimation of these costs.

**Dr M.D. NAHAN:** Like the member for Cannington, as a local member I have had the same issues raised with me. I will summarise the member for Moore's issue and then pass over to the CEO. If I remember correctly, the first quote to attach electricity to a barbecue was in the vicinity of \$45 000. In the end, it came down to \$2 500. The first part of the question was why it took a long time. Indeed, it was the shire that postponed it, but I think it reacted in a negative manner to the magnitude of the initial quote. One of the problems was—I will just tell the CEO this because he might not know of this specific issue, but I do know because I had a grievance on it—that for Western Power to energise the barbecue, it needed to add live facilities, which required additional capacity onto the grid and that totalled \$45 000. Western Power then gave an estimate to the shire of, from memory, \$6 500, which was the shire's proportion of that additional capacity. Western Power then did a billing arrangement that reduced the charge to the shire based on the energy it would consume and the revenue that would flow to Western Power from that consumption. However, the point was that there is a huge difference between \$45 000 and \$2 500 and that the initial quote would stop people in their tracks, particularly if they are just putting in a barbecue! So that is the question and I will pass that over to Paul.

**Mr P. Italiano:** The first statement I would like to make is that there is absolutely no doubt that we can get better at providing initial estimates of the cost of connecting people to the network. We are far from perfect as an organisation and in some respects there are some aspects of our operations that we need to improve on. Having said that, if I may, each year we receive about 12 500 applications of a similar nature for connection to the network. In some cases, the applications do not adequately consider the full infrastructure implications of what is being sought. Sometimes the initial request is fairly simplistic in its assumptions surrounding what will happen. Sometimes people see an electricity line passing the front of the property and they believe that it is a simple matter to connect the wire to it and run it through whatever asset there is. If that wire, unfortunately, is a 132-kilovolt transmission line, a step-down transformer, associated protection equipment and some other equipment are, in fact, needed to ensure the safe and secure supply of electricity to everybody else in the area. So people can sometimes be blindsided by the magnitude of the initial quote. Typically when that happens, we enter a dialogue and discussion with the consumer and find that we can get to a much more pragmatic solution. That typically is the reason why subsequent quotes are a bit lower. I think a clear improvement in our process is that perhaps we could engage with the consumer prior to giving the initial estimate so that maybe we can expedite it a bit.

The second part of the question was about green domes, and people often misunderstand the complications of connecting new properties to the network. On properties where there is a subdivision and it is one or two lots, it is treated as a standard domestic connection and is the beneficiary of a significant subsidy; the cost is about \$681 per lot. Where it goes beyond that and moves into a greater number of lots, the principle that the regulatory

Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Jan Norberger; Mr Ben Wyatt; Mr Dean Nalder; Mr Fran Logan; Mr Matt Taylor

---

framework is built on is one of consumer-pays; the beneficiary of the investment that goes on to the network is the person who incurs the cost. Sometimes the costs incurred include needing to build new undergrounding facilities to run an underground cable to a new lot across a dual carriageway. Again for the average consumer, as I was before I joined the organisation, it is easy to not anticipate those costs. Occasionally, the specific geology of a location or the location itself requires us to incur a cost that probably is not immediately apparent to the consumer. I cannot speak for the specific example that the member gave, but I am happy to do so as supplementary information, if the member would like me to.

**Mr W.J. JOHNSTON:** I do not expect the CEO to speak about individual cases here and I do not ask him to do that. The CEO knows as well as I do—he watches the media—that the issue of the installation of green domes has been a matter of controversy in some parts of the media. There were things such as needing to pay a separate fee for a toolbox meeting and a separate fee for traffic management—things that could easily be seen, indeed that I would see, as being intrinsic to the job. What procedure is Western Power using to determine these sorts of expenses? The CEO gave the example of having to bore across a dual carriageway. Yes, that might happen, but sometimes in my electorate—maybe the member for Victoria Park is in the same position—there is a lot of infill development in older suburbs where there is overhead gear. What is the rationale for the way that Western Power charges people?

**Mr P. Italiano:** I can say that it is not our objective to create a profit margin out of that; it is purely a cost-recovery exercise. So that is the rationale behind it. We would need to go into the individual costs on a case-by-case basis. But certainly as an organisation, the costs that are passed onto consumers as a fee in these examples are being scrutinised with the same degree of rigour and discipline as costs to any other part of the business. We will seek to minimise those costs to the fullest extent possible.

[3.50 pm]

**Mr B.S. WYATT:** I refer to the asset investment program on page 752. Last year we spent some time discussing the \$15 million allocation for Perth Waterfront works. On looking back through the *Hansard*, I note that was in respect of upgrading the power assets, for example, for future construction of office buildings around there. Then there was another allocation that was not specifically mentioned for removal or the moving of Western Power assets to make room, obviously, for the inlet. Has that \$15 million now been spent or did it come in greater than \$15 million to do that job, and how much has been contributed by Western Power to move Western Power assets?

**Dr M.D. NAHAN:** I will pass the question over to the CFO.

**Mr S. Hart:** To my knowledge it has not been spent. We are just going through that with the customer because we think the cost will be significantly lower than \$15 million as it relates to Western Power.

**Mr B.S. WYATT:** So, Western Power's contribution will be less.

**Mr S. Hart:** Absolutely, and there will be some movement between the cost for Western Power versus the cost of Elizabeth Quay. I think the total amount is still relevant but it will shift between the two entities.

**Mr B.S. WYATT:** There is something I am a bit confused about. Did that \$15 million include the cost of moving Western Power assets to allow for the inlet, or is that a separate cost for Western Power?

**Mr S. Hart:** My understanding is that it is purely to connect, not move. We can take on notice the breakdown of the cost, but that is as much as I am aware of that project.

**Mr B.S. WYATT:** Could I get it by way of supplementary information?

**Mr S. Hart:** Sure.

**Mr B.S. WYATT:** I appreciate the minister does not have the information here now, so it would be appreciated if I could get that.

**Mr S. Hart:** Yes.

**The CHAIRMAN:** Can the member clarify the information to be provided, and is the minister happy to take that?

**Mr B.S. WYATT:** By way of supplementary information, it is the cost to Western Power of moving Western Power assets to allow for the development of Elizabeth Quay.

**Mr S. Hart:** Perhaps just facilitating, rather than moving.

**Mr B.S. WYATT:** Facilitating to move them, yes; that is fine by me.

**The CHAIRMAN:** Is the minister happy with that?

**Dr M.D. NAHAN:** Yes.

*[Supplementary Information No B36.]*

**Mr M.H. TAYLOR:** I refer to the last paragraph of the first dot point on page 184, which reads —

— a provision of \$1.2 billion for allocation to Western Power’s customer driven works. This provision recognises the inherent uncertainty of forecasting customer demand requirements ...

Is the minister confident that Western Power is not overestimating its forecasts so that it earns more revenue than it should?

**Mr W.J. JOHNSTON:** That is a good dorothy, that one!

**Dr M.D. NAHAN:** Western Power is not in total control of its own domain. The Economic Regulation Authority oversees it and gives it an annual allocation over a five-year period. The question only is how it recoups that; it cannot go above it. The issue we discussed earlier was that in some years, as the CEO indicated, Western Power overestimates electricity consumption and recoups more than is allowed, but it has to essentially pay that back. Some years it under-recoups and the ERA has various arrangements by which it can recover it in subsequent years. Western Power is a regulated monopoly. It has its capital determined by the regulator by a fixed amount and it is allowed to recoup that in variable charges through the customer network, and they are passed on to consumers through Synergy essentially. Therefore, it is not covering too much or too little; it is what the regulator wants, and any overs or unders in a specific year are catered for in subsequent years. I might add that there is a debate in the community about photovoltaics, about which Western Power is agnostic. If photovoltaics reduce consumption through the grid and that leads to Western Power getting less revenue because of less consumption in a specific year, that is made up in subsequent years and makes hardly any difference to Western Power.

**Mr W.J. JOHNSTON:** Could the minister advise what the total expenditure by Western Power is on all services from the consulting firms Deloitte and Ernst and Young?

**The CHAIRMAN:** Does this question refer to a page number or item number?

**Mr W.J. JOHNSTON:** It is an off-budget agency and I am therefore able to ask about its operations. I will ask the question again. What is the total expenditure by Western Power on all services from the consulting firms Deloitte and Ernst and Young, including but not limited to consultants’ fees, fee-for-service arrangements and other contracts since 1 April 2012; and will the minister provide a breakdown of the services provided and the total value of each of the service provision arrangements?

**Dr M.D. NAHAN:** Not surprisingly, we do not have that detail at hand. I suggest the member puts the question on notice.

**Mr W.J. JOHNSTON:** I refer to question on notice 794 regarding senior management personnel employed on a 457 visa arrangement. Can Western Power confirm that no senior manager has been sponsored through the 457 visa arrangements?

**Mr P. Italiano:** The member said 794. Was that a previous question?

**Mr W.J. JOHNSTON:** That was a previous question on notice.

**Mr P. Italiano:** I do not have that information. I cannot quite exactly recall what the answer was.

**Mr W.J. JOHNSTON:** The answer was that nobody was employed on a 457 visa in the senior management of Western Power. I am asking whether that is the case.

**Mr P. Italiano:** There are certainly no executives who are on 457 visas at Western Power.

**Mr F.M. LOGAN:** Further to that question with respect to 457 visas, are there other employees on 457 visas?

**Mr P. Italiano:** Yes, there are. We do have a number of employees on 457 visas.

**Mr F.M. LOGAN:** As a further question, could the officer, through the minister, give us an idea of exactly how many are on 457 visas and whether they have raised with him—because a lot of them have certainly raised it with us as members on this side of the house—the recently announced budget cost to those 457 workers of school fees for their children, which will possibly have a determining effect on whether they remain Western Power employees or go back home?

**Dr M.D. NAHAN:** I might add that I have not looked at the numbers lately, but for many years state governments have been the largest employers of 457 visa workers; so it is not a new phenomenon at all. We did

**Extract from Hansard**

[ASSEMBLY — Thursday, 22 August 2013]

p564a-572a

Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Jan Norberger; Mr Ben Wyatt; Mr Dean Nalder; Mr Fran Logan; Mr Matt Taylor

---

announce in the budget a \$4 000 fee on public school education for 457 visa workers. The reason of course is that the number has gone from about 500 five or six years ago to 8 500 now. It is having a significant impact on some 457 visa holders—there is no doubt about that—and maybe Western Power as an employer can answer the member for Cockburn's question.

**Mr P. Italiano:** As the member would expect, we have 457 visa employees who have children of school age and some of them have raised their concerns with us as their employer. It is a reasonably recent announcement and it is something that we are looking at in our organisation to determine what the most appropriate course of action is for us. We have not determined what, if any, action we need to be taking, but we are in dialogue with those people.

**Mr F.M. LOGAN:** I have a further question to finalise the other question, which does not have to be answered now. Can Western Power provide by way of supplementary information the number of 457 visa employees it has?

**Mr P. Italiano:** Yes, I am very happy to.

**The CHAIRMAN:** Could the minister state what is being sought as supplementary information?

**Dr M.D. NAHAN:** Yes. I will provide the number of 457 visa employee holders who are employees of Western Power.

*[Supplementary Information No B37.]*

**The CHAIRMAN:** That completes the examination.

*Meeting suspended from 3.59 to 4.07 pm*