

Mr Arthur Marshall; Mr Eric Ripper; Mr Matt Birney; Mr Mark McGowan; Mr John D'Orazio; Mr Tony McRae

Division 12: Perth International Centre for Application of Solar Energy, \$778 000 -

Mr Dean, Chairman.

Mr Ripper, Minister for Energy.

Mr G.A. Thompson, Managing Director.

Mr MARSHALL: I refer to the significant issues and trends on page 209 of the *Budget Statements*. The seventh dot point states that the Australian Government is developing an export strategy for renewable energy technologies, with the first target market being South America. Where does Western Australia fit in with that strategy? How far advanced is it?

Mr RIPPER: I will ask Gordon to comment on that.

Mr THOMPSON: An export strategy is being developed for renewable energy. South America was identified as one of the primary markets and other markets will be developed later. One mission to South America was coordinated through the offices of Austrade. Some Western Australian companies expressed interest in that mission, although I do not know how many went on it, because it was fairly expensive. However, there are opportunities in that marketplace for renewable energy that is sourced from Western Australia.

Mr MARSHALL: When will it eventuate?

Mr THOMPSON: The mission has just occurred. The export strategy will probably eventuate reasonably quickly, because a number of projects have been identified in those markets. Those projects will probably include solar technologies, remote area power supplies and possibly grid-connected systems. It will be a fairly competitive market.

Mr BIRNEY: I refer to the total budget allocation this year of \$778 000 for the Perth International Centre for Application of Solar Energy. I notice that the estimated actual for the previous year was \$864 000, which reflects a drop of some \$80 000 or \$90 000 over the year. Will the minister detail the nature of the savings that have been achieved in the centre's budget this year?

Mr RIPPER: The important point is that the Perth International Centre for Application of Solar Energy will eventually be closed and a proportion of its funds will be rolled into the resources of the Sustainable Energy Development Office.

Mr BIRNEY: Why does the Treasurer intend to close the centre?

Mr RIPPER: We intend to close the centre because, although it is performing a worthy role, the Government does not consider it to be a high priority. The centre was established as a result of an expectation that there would be United Nations and Commonwealth Government involvement in addition to Western Australian Government involvement. The idea was that renewable energy technologies would be promoted in South East Asia and that we would draw on the UN and the Commonwealth for financial support to promote these renewable technologies in South America to assist the Western Australian renewable energy industry. Unfortunately, the UN's direct financial support for the centre did not eventuate at all and Commonwealth Government support has finished.

Mr BIRNEY: When does the Treasurer plan to close the centre?

Mr RIPPER: The centre is governed by an Act of Parliament. A task force is now examining all the activities that need to be undertaken in order to close the centre and transfer resources and activities to the Sustainable Energy Development Office. Some activities will need to be transferred outside of government completely because the centre has been engaged in project management and other commercial arrangements that are not best suited to a government departmental structure.

Mr MARSHALL: The final dot point on page 209 of the *Budget Statements* refers to the increased commercial use of wind power in Western Australia. What areas have been identified for these projects and what projects have commenced?

Mr RIPPER: The Albany wind farm is a significant Western Power project. Geraldton appears to be another prospective area. Western Power and other private proponents are considering the possibility of wind farms. Esperance is also a suitable location for wind farms. Western Power and other energy companies are interested in establishing wind farms.

Mr MARSHALL: What is the approximate cost to build one of these projects?

Mr RIPPER: The Albany wind farm is a 20-megawatt project that cost \$45 million.

Mr MARSHALL: Has anyone approached the Treasurer about developing a project on the coast at south Mandurah?

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Mr RIPPER: Proposals for a Dawesville wind farm may well have been put to Western Power or considered by private sector proponents. However, such a proposal has not reached my desk or, if it has, I have not seen it.

Mr McGOWAN: I heard a criticism that wind farms use more energy to create and support the infrastructure than they produce. It has been said that they cause a greenhouse negative, which I find hard to believe. I heard those arguments put by none other than the now Leader of the Opposition and former Minister for Energy. Is that true?

[4.00 pm]

Mr RIPPER: It is likely that it will not be, but we will find out.

Mr McGOWAN: We can assume that. It is a redundant question.

My second question relates to the projects listed on page 214 of the *Budget Statements*. I was not previously aware of these projects, and they sound wonderful. Why are these projects not more highly publicised and what economic benefits accrue to Western Australia from some of them, such as the Indonesian landfill resource and recovery projects and the electrification of villages in South Africa and so on?

Mr RIPPER: The first question was whether the greenhouse benefits from wind power were outweighed by greenhouse gases that are emitted as a result of the construction of wind farms. I am sure that Mr Thompson would be only too pleased to answer that question.

Mr THOMPSON: Wind energy obviously depends on the resource. If there is no wind resource, there will be no wind energy. Many areas in Western Australia have very good wind speeds that are commercially viable above an average of about four to five metres a second. Many areas have greater wind speeds than that, so it is a commercial proposition to put in wind farms. A net greenhouse benefit has been proven.

Most of the projects that the Perth International Centre for Application of Solar Energy undertakes involve Western Australian industry in various degrees. For example, the project in Vietnam in the province of Da Nang, which showcases Australian technology, is funded substantially by the Commonwealth and involves Western Australian industry, which provides the inverter system and the smart control systems. That project will hopefully be replicated in other areas throughout Vietnam and the Mekong area. The project supports a very weak rural grid and there is a lot of opportunity for that sort of technology to be replicated elsewhere. The member for Rockingham mentioned the landfill projects. The first project that was done in south Sulawesi was a relatively small project, but CASE recently signed a memorandum of understanding for the Bekasi landfill that services Jakarta. That is a huge opportunity for Australian and particularly Western Australian industry because it involves not only energy capture, but also the use of organic material either for power generation or fertiliser reduction, and plastic recycling. There is a lot of interest in that project, and it is a big opportunity for Australian industry, particularly the waste management industry. Most of those projects have the chance to be replicated and CASE tends to work with Western Australian industry because that is where it gets its technology and specialised resources from.

Mr D'ORAZIO: I refer to item 39 on page 208 of the *Budget Statements*. A few months ago I attended a business leaders conference in Melbourne. A number of proposals were put on the table, and one in particular was to do with solar energy. A whole house had been designed with solar panels to collect energy. I was surprised at how little it costs to provide that infrastructure. The Victorian Government has committed to showcase a house like that to encourage industries that use these patented Australian products. Is this Government doing, or does it envisage doing, anything like that, such as providing a demonstration house in which all the roof tiles are solar panels, which not only heat water but also generate electricity? They were talking about 90 per cent of the electrical requirements of the household being generated by these panels, and the cost was not much more than for the construction of a normal house. Are we encouraging industry in Western Australia to do the same? Is there a possibility that a demonstration site will be constructed, similar to the one in Victoria?

Mr RIPPER: The Sustainable Energy Development Office will be responsible for that sort of activity. One of the areas I would like it to pay some attention to is building standards and planning, because those areas offer some possibilities for reduction in energy use and greenhouse gas emissions. The construction of a demonstration house is an interesting idea for a project, but I do not think there is a definite intention to create one at the moment. However, it is obviously something that could be used as an educational tool, particularly if the private sector were interested in a collaborative approach.

Mr D'ORAZIO: One company has patented the process for the production of fuel cells. It is quite an energy efficient and cost-effective system. It may be something that we need to look at.

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Mr RIPPER: The Sustainable Energy Development Office, which is part of the Office of Energy, can explore options such as that. For example, one program aims to improve people's awareness and preparedness to save energy in their homes. Another program will be aimed at business to improve energy efficiency and will also deal with government energy usage. A significant proportion of CASE's resources will be rolled into that office for that purpose.

Mr BIRNEY: How many staff members are currently located at the Perth International Centre for Application of Solar Energy?

Mr THOMPSON: There are 10 staff members.

Mr BIRNEY: How many of those staff members do you anticipate transferring to the Sustainable Development Energy Office when CASE is closed?

Mr RIPPER: None.

Mr BIRNEY: Will all 10 staff be made redundant?

Mr RIPPER: Those 10 staff are on fixed-term contracts and those contracts will expire.

Mr BIRNEY: When do the contracts expire?

Mr RIPPER: The contracts expire on 31 December this year.

Mr BIRNEY: When were those people initially employed? How long did their contracts run?

Mr RIPPER: At the moment they are on six-month contracts that expire at the end of this year. In previous circumstances, they have been on 12-month contracts. A significant number of the contracts have been rolled over and those people have been on a series of fixed-term contracts. Therefore, they have been in the employ of the agency for various periods. A working party is examining the processes for the closure of CASE and the transfer of the resources to the Sustainable Energy Development Office. That working party will look at opportunities for those people should they wish to stay in the public sector. Unlike permanent public servants they do not have a right to stay in the public sector, because they are on fixed-term contracts.

[4.10 pm]

Mr BIRNEY: When did the Government announce its intention to close the Centre for the Application of Solar Energy?

Mr RIPPER: Prior to the election, we indicated that CASE would be amalgamated with the Sustainable Energy Development Office, and on budget day I advised the media that the Government would be closing CASE and folding approximately half of its resources into the Sustainable Energy Development Office.

Mr BIRNEY: By resources, you obviously do not mean staff members. What sort of resource are you talking about - photocopiers?

Mr RIPPER: I am talking entirely in budget terms. There is a budget of between \$700 000 and \$800 000. About \$400 000 of that will go into SEDO.

Mr BIRNEY: Did the Government announce prior to the election, when announcing its intention to merge the Centre for the Application of Solar Energy with the Sustainable Energy Development Office, that none of the existing staff members would be transferred to the new department?

Mr RIPPER: It is not the case that none of the existing staff members will be transferred.

Mr BIRNEY: That is what you just said.

Mr RIPPER: The advice available to me at the moment is that they are all on fixed-term contracts, and therefore they do not have a right to transfer, but it is not necessarily the case that they will not transfer.

Mr BIRNEY: Perhaps I should rephrase the question. Did the Government announce prior to the election that the contracts of existing staff members would not be renewed once the two departments were merged?

Mr RIPPER: We did not, but we did announce that we would be amalgamating CASE with the Sustainable Energy Development Office.

Mr McGOWAN: I refer to the dot point dealing with sustainability on page 209. My question relates to the access to the electricity grid of energy producers using renewables, such as biomass, solar, wind or manure. What steps has the Government taken to ease the access of these producers into the state grid to ensure that people have the opportunity to purchase electricity produced by these methods?

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Mr RIPPER: This is probably not strictly relevant to the budget of the Centre for the Application of Solar Energy. It is more a matter for the Office of Energy. However, I think the question should be answered, because it raises a real issue. I reduced the threshold at which customers can be contestable for a renewable energy generator. I have allowed renewable energy generators preferential access to compete for the business of smaller customers. The contestability level for fossil fuel is higher than the contestability level for renewable energy. However, the renewable energy industry is very concerned about the mechanism that will apply for it to have proper access to Western Power's wires. For example, when a renewable energy generator does not supply all of the power that a customer needs, on what conditions does that customer have access to electricity from Western Power? This is a matter, firstly, of renewable energy generators being able to supply a customer on a part-supply basis, but even if the generator is seeking to supply a customer on a full-supply basis, there are also issues. A renewable energy generator does not necessarily generate the power at the time the customer needs it. The customer might need the power on a hot, still summer afternoon when there is no wind blowing. Who provides the power then? The question of Western Power providing the stand-by power, and the cost of that stand-by power, is another issue. On the other hand, in the middle of a dark and stormy night, when everyone is asleep and very little power is being used, the wind might be blowing very strongly and excess power could well be put into the system. That is called spill. What price does Western Power pay for the spill, and what arrangements should be made for balancing the customer's demand and the renewable energy generator's supply? All of these technical issues are in the process of being resolved, and there has been quite a bit of debate on the subject.

I was asked some questions earlier about whether there had been any complaints about Western Power's ring fencing arrangements, and whether they had failed or not. I have been reminded that renewable energy generators in particular have been very concerned about what they regard as improper influence from Western Power's retail business on its network business in relation to all these very technical matters of renewable energy access. The renewable energy generators are of the view that Western Power retail is not facilitating their entry into the market, because Western Power retail wants to sell renewable energy from Western Power generators, such as the Albany wind farm, and does not want renewable energy customers to buy from the chicken manure proposals or other wind farms.

Mr McRAE: I am following up on the discussion about some of the technological barriers to entry, and maybe some of the organisational and structural barriers resulting from the obligation of one division of Western Power to another. Is it also part of the objective of the Government - and this is certainly true of CASE, once it has been amalgamated with SEDO - to increase the diversity of renewable generators and suppliers of electricity, so that those technological difficulties about entry, peak supply, base supply and the resistance of Western Power can be overcome? It is only through the diversity of producers that choice will be available.

Mr RIPPER: One of the objectives of electricity reform is a market structure with a variety of private generators competing with the state-owned generator. Renewable energy should be among that variety. It is my hope that, if electricity reform proceeds properly, it will be a stimulus to private investment in renewable energy generation and in privately owned fossil fuel generation as well. The Government is looking for an expansion of the electricity supply industry and of those industries that are its customers. The Government wants competition, lower prices, a bigger industry, more jobs and more opportunity for private entrepreneurs in both renewable and fossil fuel generation.

Mr McRAE: Will that structural change be enough of a signal for new entrants into the renewable producers market?

Mr RIPPER: Structural change is one prerequisite, but other arrangements will also need to be made - for example the pricing of stand-by power. The Government is negotiating on that right now.

Mr D'ORAZIO: I refer to dot point 7 on page 209, which states that the Australian Government is developing an export strategy for renewable energy technologies, and is targeting South America. I had to laugh. I am not sure why South America is being targeted when it seems that it would be much more in the interests of more technologically advanced countries. Why is South America being targeted?

[4.20 pm]

Mr RIPPER: This is a national program. Austrade has identified that market as an opportunity. From the State Government's point of view, we are focusing our activities on Western Australia. That is the reason for the closure of the Perth International Centre for Application of Solar Energy and the diverting of some of its resources to the new Sustainable Energy Development Office. I indicated earlier that CASE staff were on fixed term contracts - six months at the moment - and therefore had no guaranteed right to positions in the public sector. They cannot expect to transfer to the public sector. However, SEDO will have additional resources as a result of the closure of CASE and it will spend some of the resources on additional staff. There is a possibility of CASE staff picking up positions with SEDO, if they are interested.

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Mr McRAE: The first dot point at page 209 states that due to the wind up of CASE, some of its functions will be absorbed by SEDO. What are those functions and why were they selected as priorities?

Mr RIPPER: Some activities of CASE are not particularly suitable for a government departmental structure. For example, CASE is involved in commercial arrangements and it manages projects in South East Asia. The task force is examining how we should handle those activities. One proposition that has surfaced is for the private sector to take on some of those arrangements with the CASE brand name being retained because CASE has established a record of practice in South East Asia.

Mr McRAE: Would some of Western Australia's tertiary institutions be interested in some of those discussions?

Mr RIPPER: That may well be the case.

The appropriation was recommended.