STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

2017–18 ANNUAL REPORT HEARINGS

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
TUESDAY, 13 NOVEMBER 2018

SESSION THREE
WESTERN POWER

Members

Hon Alanna Clohesy (Chair)
Hon Tjorn Sibma (Deputy Chair)
Hon Diane Evers
Hon Aaron Stonehouse
Hon Colin Tincknell

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Hearing commenced at 1.15 pm

Hon STEPHEN DAWSON
Minister representing the Minister for Energy, examined:

Mr GUY CHALKLEY
Chief Executive Officer, examined:

Mr MICHAEL CREVOLA
Chief Financial Officer, examined:

The CHAIR: On behalf of the Legislative Council's Standing Committee on Estimates and Financial Operations, I welcome you to today's hearing. Can each of the witnesses confirm that they have read, understood and signed a document titled "Information for Witnesses"?

For Hansard, Hon Stephen Dawson is representing.

The WITNESSES: Yes.

The CHAIR: It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. It is also being broadcast live on the Parliament's website. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Agencies have an important role and duty in assisting the Parliament to review agency outcomes and the committee values your assistance with this.

Minister, do you have a brief opening statement?

Hon STEPHEN DAWSON: I do not, Madam Chair; let's get on with it.

Hon TJORN SIBMA: I am referring here to some of the useful snapshot data presented at page 3, as well as a section attached to the financial statements concerning operational assets and liabilities as they appear on page 54. In particular, on page 54 there is a table of property, plant and equipment categories by different asset types, with estimated useful life of each asset class. I have had an interest in the functioning, or perhaps non-functioning, of streetlights throughout large swathes of the north metropolitan area this year, so I just want to get a sense of what the challenge might be. Of the 260 000 streetlights, or thereabouts, Western Power has responsibility for, can I get a sense of what proportion of those are either at or approaching their estimated useful life, I think, of around about 25 years, if I am reading this table correctly—20 to 25 years, sorry.

Hon STEPHEN DAWSON: Thank you, Madam Chair. If I may just kind of set the scene, knowing the honourable member's interest in the issue of streetlights and the fact he has raised some questions in Parliament about it, I want to just place on record that Western Power manages just over 250 000 streetlights. When an individual light fails, Western Power has a requirement to fix that light within five business days, if it is within the Perth metropolitan area, with an average repair time of 3.45 days. In 2017–18 Western Power attended 39 000 streetlight faults at a cost of $6.45 million. Underground cable faults require a longer repair period, and Western Power has a target of eight weeks to repair these kinds of faults. Obviously, eight weeks is a long period, but because of the

nature of the work required to fix that sort of infrastructure, it does take longer. In relation to their useful life, perhaps I will ask Mr Chalkley to answer that part of the question.

Mr Chalkley: Probably a call-out on the useful life for all those asset classes, they are accounting useful lives so they are deliberately there to sort of depreciate the assets in an accounting sense. From a useful life perspective in what we are getting, we see a lot of variation across that. It is really dependent on the inspection program that goes through. That means if you take a streetlight or even a pole and a replacement, that could fail at 20; it could fail at 80. I think it is really dependent on whether you have a very good inspection program running through. The percentage in terms of what is the average age of streetlights, it sort of works through the suburbs, so you can see how the population of Perth has grown and, really, that is sort of where we are. In terms of some of the issues we are seeing at the moment, we are seeing them more on the 30-year streetlight which certain suburbs have got, which obviously we have got a plan to sort of tackle that. As the honourable member said, the fault really comes in as a blown globe, which we have five days to repair. But once you actually get there, you can obviously replace the globe, but the actual issue is underground in the cable, so we just have to get it into the work program to actually do it, so we are certainly seeing a higher instance of those types of cable faults, but ones we have now obviously got in our forward program to actually rectify.

Hon TJORN SIBMA: Thank you for that. I was anticipating answers along those lines because I have heard a similar response before in its useful context. I understand that on page 54 that is effectively an accounting treatment for depreciation purposes, so I am grateful for the observation that there is a broader bandwidth of actual operationally useful life. Nevertheless, how does Western Power plan for its monitoring and refit or repair work on the basis of that? Of those 260 000 streetlights, for example, do you have a standardised program that looks at replacement, refit, inspection, and how do you do that?

[1.20 pm]

Mr Chalkley: Yes, again, all of our asset classes effectively have an inspection program running through them, so obviously it will not pick up every underground fault and sometimes it is reliant on something to happen. But obviously, yes, we do a visual inspection; we do that on a regular basis. Normal inspection cycles are four years and then we run through that to see what it actually has shown, and if it does show something, then it goes into the program. A lot of our streetlight work could be actually what we class as emergency work in the sense that it gets identified and then you go and do it. It is a mix of both. What we have seen, in terms of the program going forward—we look at the faults we are finding across all our asset classes—is that one of the ones getting a bit higher is underground cable faults on streetlights, which is why we are focusing more attention.

Hon TJORN SIBMA: Can I understand whether you have undertaken analysis of why you seem to be so troubled by the cable faults underground? Is there a design fault? Is it an age issue? Is it a supplier issue? How do you account for it?

Mr Chalkley: It is probably neither of the first two. It is definitely not a design fault. An ageing asset will have more problems, there will be more, but that is why you get a good inspection program running through it. We have seen a lot of water ingress; people's reticulation can burst. There is actually water ingress on the cables. If you think about where most of them are placed, they are placed on front lawns where grass goes, so a major burst from the water, which could have happened six months previously, will cause us problems. So, yes, that is definitely one that we are picking up. Those types of incidents are the ones that seem to be driving it. But it is not a design fault. Like any asset, it is ageing, but nothing in particular. But, yes, water ingress is a big one for us.

Hon TJORN SIBMA: Is that geographically concentrated, or is the cause a fault that is universally applied?

Mr Chalkley: I think there is a combination; some of the older suburbs have that type of issue. That is what is playing out, which again is why we are more focused on certain areas in the work program going forward for undercurrent cable faults.

Hon TJORN SIBMA: With respect to deteriorated cabling that has not been affected by water—that has aged, effectively—do you have any publicly available information on replacement programs, and when and where they are likely to occur?

Mr Chalkley: I will take that one on notice, but obviously we certainly have in our forward program what we are expecting to do over the next two years.

Hon TJORN SIBMA: If that could be taken on notice, I would appreciate it.

Hon STEPHEN DAWSON: Sure, I am happy to provide that by way of supplementary.

[*Supplementary Information No C1.*]

Hon DIANE EVERS: I refer to the chairman's report on page 4. There is a comment that one of the most important reforms that Western Power is seeking is the establishment of a constrained access model. The model would allow Western Power to connect renewable energy at scale. Could you just explain what this model is?

Hon STEPHEN DAWSON: Sure, very happy to. Like in the last session, we do not have the chairman with us today, but I am sure the CEO can provide an answer to that question.

Mr Chalkley: Basically, what is happening in WA and across the whole of Australia is that traditional coal-based is being retired and is generally being replaced by renewables. It is not a one-to-one ratio, so you are going to get more renewables because of the nature of renewables not being constant. "Constrained" and "unconstrained" is basically—what has happened in the past is that the first person who wanted the connection took capacity of the line. It is actually pretty expensive and it also stops other people joining, because the capacity is already there. So, what you are seeing is the original participants are sort of contracted to use the line, but probably do not use the line; it is just what has been contracted, so it is contracted to capacity but not always used. We are trying to say that if you take that away, you will get a better way of entering the market, which is what you need for renewable energy, because you have got various people trying to connect. So, yes, it just opens it up to the participants that are obviously there at the moment.

Hon DIANE EVERS: Would that allow in more power than the line would be designed for, should there be perfect conditions?

Mr Chalkley: No, it will not allow more line as such, but it will reduce the cost of providing it, just in the sense of how you can connect and who you can connect.

Hon DIANE EVERS: So, it will be a fairer process to allow other people to come into it, even though someone's already taken out that capacity.

Mr Chalkley: Yes. We might have a line that goes all the way to Kalgoorlie that somebody says has reached its capacity, but it has not reached its capacity from us—it has reached its capacity in that somebody has taken the contract of what is on that line. What we are saying is that there are better ways of doing that, because you never reach the peak, so somebody else could use that peak and then we still get the efficiency. At the moment, if somebody wanted something on that line, we would have to put a new line in to do it. That is the purpose of trying to get a better representation. It is just more pertinent now because there are a lot of renewable projects out there. One will

struggle if it is that way, because they will not get connection, so it is just a way of overcoming that hurdle.

Hon DIANE EVERS: Will you be putting in new lines in some places where, even with this constrained access model, you are going to reach the limit, or would that be a factor that stops people from being able to connect?

Mr Chalkley: It would depend what people are looking for, but as a first resort we would like to maximise the line with what we have already and make sure it is used to its capacity.

Hon DIANE EVERS: In the previous year, or in this one, there was mention of the standalone power system. There was a trial of six of those and in the budget this year there are another 60. Can you give me an update on that project? How it is going?

Mr Chalkley: We put six just outside Ravensthorpe, which finished, effectively, a two-year trial. We need to prove new technology works. The customer experience was excellent. Yes, they got a much better reliability factor; they probably got a reliability factor as good as metro. But really, you then want to take it a bit further, so what we then said was that we would enlarge that to 60 and really put it out to a wider area to see where we could go with it. That 60 therefore could include a farm, as an example; they could even include a Water Corp pumping station which, again, is a really good solution, because the first thing that goes off in a bushfire is going to be power, and if we could get standalone on a Water Corp pumping station, there would be other benefits there as well. The take-up was really quick as well. I think it is an issue when people suffer a reliability factor that is less than metro just because they live in the country, so whilst our reliability is very high as on average, I do not dispute that there are pockets that have lower reliability, and this is just one of the solutions for it. We have put that out as an expression of interest to the market. We are currently evaluating shortlists of who could provide that 60, but again, we would then run it for two years. Technology continues to change, continues to get better, continues to get cheaper, but we really want to make sure that the experience is good and that the technology works.

[1.30 pm]

Hon DIANE EVERS: That is excellent. I have one other question related to key performance measures on page 3, "Reportable environmental incidents". It does come in that your actual is below what your target should be. What does 0.3 refer to and what were the significant environmental incidents involved in that?

Hon STEPHEN DAWSON: I will ask Mr Chalkley if he can respond to that one, please.

Hon DIANE EVERS: I am sorry, that is not the page it is on.

Hon STEPHEN DAWSON: That is all right. We will find it.

Hon DIANE EVERS: It is on page 16.

Mr Chalkley: We have a very low number in terms of the environmental factors. Generally what our ones are going to be is something where the asset might have reached the end of its life, so there can be some minimal oil spills—that is one of ours. Again, the percentage is a very low percentage. The number of incidents is small. A lot of the other ones are actually where you are trying to protect it from nature and you are trying to protect it from some of the human impacts that can get it. That is generally what triggers an environmental issue for us. Certainly in the last two years we have not had any major environmental issues. As I say, they are pretty few and far between in terms of what we actually see, but again you do need a good inspection program. If you take an example, a big one for us could be the transformers at the substations, so again they go through a regular inspection

program. One of the things tested is to make sure there will not be any environmental impacts of what could happen.

Hon DIANE EVERS: But other than the oil spills or whatever, you cannot really think of any specific examples?

Mr Chalkley: Nothing has really come up in the last two years from the environment perspective.

Hon Dr STEVE THOMAS: You have streetlights—a luxury!

On pages 7 and 8, both in Mr Chalkley's report and the general statement, there is some discussion about microgrids. I am particularly interested to see how far that has gone. This might be a two or three-question kind of process to get this out, but noting the Kalbarri experiment, perhaps an update on Kalbarri but, more particularly, I am interested in where that might go to next, and in particular whether you have considered the Albany end of the grid? You have got something happening at the northern end of the grid. Where are we in discussions at the Albany end of the grid, because I understand the City of Albany is very interested? There are a number of renewable projects down there already. It might take a bit to tease this out, but if you give us a general overview at the start, we will see where we end up.

Hon STEPHEN DAWSON: Sure, Madam Chair. I am happy to ask Mr Chalkley to provide a response.

Mr Chalkley: For me, in terms of the technology and innovation that has gone on in the last couple of years, microgrids are just another—it is not the silver bullet for everything, but it definitely works in certain situations, if you think of the geography and the population and sparsity of WA. In terms of Kalbarri, Kalbarri really stood out because it was pretty much at the end of a distribution line that ran for 140 kilometres from Geraldton all the way to Kalbarri. That went through national forest, rock, salt, and then really got to a population of 4 000, but equally that was a population that swelled massively during summer months as well and is a premium eco-tourist town for WA. The microgrid was chosen there because of its reliability, because the line kept getting struck by lightning. We could actually see the issue, but we literally had just one line in to Kalbarri. Even though we could see, like, a pole down, we knew it would still take half a day to get it back up, which took the town out for half a day. Kalbarri was chosen really specifically for that. I will get onto the fact that there were other possibilities that you can use it for. We really need to now test that in Kalbarri. We are at the stage where we obviously appointed vendors to do it. It is obviously a Western Power program managing it, but then Lendlease to do the civils and Carnegie EMC to do the technological side of it. So we are probably just starting now to do the civil side of it so that really what we are saying, I think what we highlighted early on, is it would not be in in time for this summer, but it will be ready for the summer after. That was probably what we always communicated to the community as well. It could be in, but we really want to make sure that it works. It is just a really good one because there are already renewables up there, there are masses of solar PVs, you can harness it all with a battery. It then becomes a bit of a testbed to see where else you could use it. Albany might have those solutions. They have got other solutions as well. We have certainly worked closely with the mayor and the CEO of Albany in terms of what solutions we could put in now. That might be a microgrid, but I think there are other options as well that people are looking at for Albany. Some are using some of their own solutions as well.

Hon Dr STEVE THOMAS: Given that Kalbarri involves a storage component, have you worked out or got an indication yet of a cost for that storage, as in a cost per household? If you do develop a microgrid, is there a standardised cost per household for storage that is currently in place, and then maybe perhaps where you see that going over time as, hopefully, that storage becomes cheaper?

Mr Chalkley: The latter: there are probably two issues sitting in there. Kalbarri, from a regulatory point of view, has not been approved for the microgrid and the storage; Kalbarri has been approved because it has reliability issues. The battery in Kalbarri is to give people—basically, our maintenance crews—time to resolve the fault that they find. It is pretty seamless from that point of view. It is not actually to store as such, but I think that is the next step. We can see the potential for what it could be, but really we just want to get approval because it is a better solution for the customer for some of the reliability issues that they are having at the moment. Thinking ahead, there could be lots of things that you can then do. Could Kalbarri stand alone without poles and wires? More than likely. But that is not the reason we put it in at the moment; it is just literally a case of improving their reliability and using the storage to actually give our crews time to repair the faults.

Hon Dr STEVE THOMAS: So you do not have any numbers yet on cost per household or any of those?

Mr Chalkley: No. Ours is more: does it stack up economically for the current cost of doing the repairs? That was the angle that we looked at; not what it could give the customer in terms of if they could store it and buy it back. It was not for that type of retail solution. It was more an operational maintenance-type solution.

Hon Dr STEVE THOMAS: But you are doing separate experiments with putting it back in and buying it back in other locations?

Mr Chalkley: Sort of the last one is yes; we put a power bank, effectively, into Meadow Springs near Mandurah. That is that first opportunity to say you have got a community that has 40-odd per cent solar PV, who might not use their solar PV, so when they actually want it at five or six o'clock, because they have been working they have stored it all, and now they are just going to lose it. There are some numbers that have been done for that from Synergy's point of view, from a retail point of view: what could it save them on the bill? I think the indicative numbers were like a dollar a day—that type of concept. But, yes, that is a specific one to say that we are going to utilise that battery and it literally is just a battery; it is not a microgrid. We are going to store energy in it and, if you want to use it, this is what you can use it for.

Hon Dr STEVE THOMAS: Just one last one, if I can, on microgrids: is there effectively an exclusion for any district or community that is interested in looking at microgrids, or will Western Power look at it on a come-and-serve basis?

Mr Chalkley: It is definitely not an exclusion, but obviously we have an asset footprint over the whole of WA. We are obviously targeting trying to improve some of the issues that we have. It really tailors into that in terms of: how do you do your work program, and where is the most risk?

Hon Dr STEVE THOMAS: I get that. You are doing it from your perspective right now, but it may well outgrow you to be for the community perspective above your perspective in time. That will be an interesting time to watch.

Mr Chalkley: I think it will grow very quickly.

Hon TJORN SIBMA: I refer you to page 24 of the director's report concerning a continuation of the last theme of questioning on ageing network assets and how Western Power is dealing with that challenge. I am, frankly, a little bit alarmed that there is a high proportion of your assets in the second half of their expected life. Can I get a sense of: at what value and what proportion of your overall assets are in the second half of their expected useful life, I am presuming, and what Western Power's asset reinvestment or asset replacement internal budget might be, because I cannot find that clearly in the documentation that I have in front of me?

[1.40 pm]

Hon STEPHEN DAWSON: I will ask Mr Chalkley to make some comments. I do not think we would have that level of detail with us today; I am not sure. We would have to check with the minister with responsibility for this portfolio about future plans et cetera, but I ask Mr Chalkley to give some general comments.

Mr Chalkley: We certainly have got that information in terms of what the age of the assets is, but it is important to state that that is not the driver of doing the maintenance or doing the repair. I will go back to the inspection, which is the real part of that. One of the things that we used to do was to do replacement on age. What that means is you could replace something that is 25 years old, which has got 20 years to go. We fundamentally changed our approach because our data got better and better, so we could actually see from a risk point of view, using the inspection programs that you are doing, where you actually needed to target the work. I think the last two years have been very successful in terms of what that has achieved. It targets good investment in the right places where the risk actually sits. It is very interesting—what is the age profile—because if you are doing a proper inspection program, a wood pole could last 80 years but it could last 40. It could be due to the geography. It could be due to lots of things, but it is really important that you get that information. I think that one of the things that has really happened in the last, sort of, couple of years, sitting behind all utility companies, the data has just got better and better. You can capture it. You can get it from LIDAR, off aerial photographs. It has got easier to get but, equally, you can use it. There has been a fundamental shift in the way asset engineers work. They do not just determine this is what you have got to do. It is that probabilistic deterministic. They now actually know what they have got to do. The age, in terms of what we work on, has got —

Hon TJORN SIBMA: Your analytics have become far more sophisticated and you can direct your resources accordingly. I suppose I am still interested in the future provisioning of your asset investment plan and your asset replacement plan. How do you see yourselves funding that program? May I begin by saying that for the financial year that we are currently in, because the issue of asset maintenance has been referred to in this annual report, how much will Western Power invest into its asset investment or asset replacement program? If it is not possible to provide me with that now, I am happy to take that as a supplementary.

The CHAIR: It might also be a budget estimates–type question.

Hon STEPHEN DAWSON: Let us see what Mr Chalkley can provide. It may well be one of those questions that is captured by cabinet-in-confidence and the ERC process. Obviously, members will be aware that the ERC meets during the year and considers these things and then they go to cabinet to sign off before inclusion in the future budget. Saying that, I will ask Mr Chalkley what he can provide.

Mr Chalkley: I might pass later on to Michael, but I suppose, we are a regulated entity so we just literally got a determination from the regulator. That determination was based on our submission in terms of what capex and opex we actually thought we required for our program. I think the numbers might actually be out there in terms of what we are actually planning. We have got a very detailed plan in terms of where that actually could be. Our first two years are pretty much a locked-in program in terms of where we see the work should actually be done. It is flat, because the information we are seeing does not see the need in the next five years to do a massive ramp-up on certain asset classes. What we have seen recently is we have massive investment in our distribution assets. If you actually think of the number of wood poles that were replaced and reinforced in the last few years and what you are actually seeing going forward, is maybe a bit more of an investment in the transmission side which, again, has probably got much longer life. The shift has changed in the next five years, but, overall, the dollars are pretty consistent in terms of that.

Mr Crevola: I think in general we are spending a significant amount of money, subject to the state budget, over the next couple of years. In terms of our pole replacement program, so the distribution of assets, it is in the order of a couple of hundred million dollars. With our asset programs, it is starting to add up towards $600 million. That is the general outline.

Hon TJORN SIBMA: As the entire asset investment program, year on year, around $600 million.

Mr Crevola: Roughly around that.

Hon TJORN SIBMA: And you allocate within that general envelope. That leads me to the previous page in the annual report where there are some assessment —

Hon STEPHEN DAWSON: Can you tell us what page that was again, member?

Hon TJORN SIBMA: Page 23—expectations around diminishing future revenue. I would just like to open up some further elaboration on some of the pretty sobering remarks made on this page. I do draw your attention, minister, to two points. I quote from the document —

> This decline in revenue will present challenges to Western Power, including:
>
> - upwards pressure on network tariffs …

The second dot point is something I would like to interrogate a bit more, concerning —

> - lower dividends to the owner …

Obviously, being the state government, which could see —

> increased reliance on borrowings where current dividend returns (and asset investment) are required, meaning potentially higher State debt.

Is there any internal modelling or scenario planning about what the future, so the next two or three years, or beyond that, might require in terms of additional borrowings?

Hon STEPHEN DAWSON: I can ask Mr Chalkley to comment on that. I just make the point and draw members' attention to the next line after those two comments which is, "Without appropriate mitigating strategies …"

Hon TJORN SIBMA: You have pre-empted the next question. Maybe I will start there. What mitigating strategies are being countenanced?

Hon STEPHEN DAWSON: If I can, I will ask Mr Chalkley to comment on that. I can say it is a challenging time that we are in at the moment. It is a very exciting time, given the new technology that is coming on board, but I will ask Mr Chalkley if he can answer that.

Mr Chalkley: I will probably start just slightly different. This year was the best year Western Power has ever had. It was the first year that they actually funded their work program, funded their financing, and actually funded the dividend. Normally, you borrow the dividend. I think that shows you where we have got to. What are you seeing going forward? Clearly, if more and more people put PVs on their roof, you have got a cost base that you have got to spread against the population. So that is really the pressure you are seeing that is out there. But have we got mitigating strategies for that? That is not in the next two years, but some of the scenarios people are playing out is you are going to lose a percentage of your revenue as more and more people use different solutions. We can still be more efficient. I think we are always going to be on a trajectory that we are going to continue to improve in terms of how we assess what assets need work on, and I think you can see that gets better and better every year. There is a cost issue that gets reduced anyway that mitigates part of the revenue. I think the other one is you are seeing, from new technology and some of the things that customers are demanding, that some of the solutions are better. Some of the solutions that just did not exist two years ago are starting to appear. The strategy is a combination of both.

There is still a lot of room in terms of how you can make yourself more efficient, and that is using some of the better use of data that you are now seeing. The other one is: how do you actually start to utilise this new technology in a better way? Clearly, if you do nothing, the outlook is that you are going to see that revenue would decline.

Hon TJORN SIBMA: Do you have any sense of by what quantum revenue is likely to decline over the next five or so years—based on, say, the uptake of solar PV?

The CHAIR: I will let that question run, just noting that it tends to be beyond the scope of the —

Hon TJORN SIBMA: Tending to push it in the afternoon.

The CHAIR: Yes, I can feel that.

Have a go if you can.

Mr Chalkley: People have tried it across Australia. Could it be 10 per cent? Could it be 20 per cent? It is not really going to hit you in the next five. Then what you are looking at is: what solutions can you then really start to put in place to make sure it does not arrest even further? That is, sort of, what you are seeing. To be fair, WA has got, with Queensland, the highest penetration of PV solar rooftop, so you are really seeing it already a bit now. To actually come out of last year's results having already seen it, probably shows you that some of the mitigation that you have already put in to arrest it. It is a bit of watch this space, but I think technology will continue to move at a pace which will keep giving you solutions.

[1.50 pm]

Hon DIANE EVERS: On page 61, in the notes on the financial statements, there are comments about the deferred income, saying that it is mostly related to contributions from developers. Going on for two years, it has nearly doubled. Is this a trend that you see happening, and given all those different projects that you set up in the future, this is likely to continue?

Mr Chalkley: It is a hard one to predict. You are trying to base it what the economy looks like going forward. It is certainly not consistent; it is not constant. Certain big projects at certain times really make you jump in different ways. That is what we see when we see the spot projects. It is one hardest ones to budget going forward because it is reliant on what other people are actually doing. We certainly have a lot of insight into what is happening in the market, but it really depends on when they finish their projects and when they come on, so it is spikey more than constant.

Hon DIANE EVERS: Would that be renewable projects in most or all cases?

Mr Crevola: No. It is mainly to do with new housing developments—the contributions program. Effectively, the developer puts in reticulated power; effectively, those assets are gifted back to Western Power, whereas, as those developments come to the end of the development cycle, that is when we bring them onto our books.

Hon DIANE EVERS: Okay. I was thinking that this was more about the renewable projects that you were talking about earlier. Could you give us an update as to what percentage of power in WA is now created by renewable energy—roughly?

Hon STEPHEN DAWSON: That is probably a Synergy question. Member, you might want to maybe put that on notice—after this session, lodge it through that process and we will make sure you get your answer.

Hon DIANE EVERS: Okay. The other question I have is: in the Langoulant report there was a pretty strong comment, saying that the statement of corporate intent for Synergy and Western Power

provided little insight into the plans and intentions of either entity. Can you say if you have put anything in place following that report and in light of that criticism to address the concerns?

Mr Chalkley: We certainly have internally good business practice in terms of your long-term plan, your five-year plan and then how that rolls into your budget. I think we are working with government to understand what goes in a statement of corporate intent and an SDP. We will get to a place where they sort of actually align. I think that is the key one for me.

Hon Dr STEVE THOMAS: I am almost a little embarrassed to ask this question; however, I will. On page 5—unfortunately, the chairman is not here, so it falls to the minister and the CEO to explain his words—about midway down the second column, it states —

> Further, Western Power has continued its commitment to creating career opportunities for Western Australians through our intake of apprentices and trainees, and support of industry relevant scholarships.

They are admirable words. It occurs to me that there was a rather odd election commitment before the election of the current government to an intake of 50 apprentices per year specifically for Western Power. Given that reference apprenticeships, do have the total number of apprentices put on each year preferably at the end of 2017 and then at the end of the 2018 financial year—particularly the end of the 2018 financial year, which is the one that we are looking at here? If you do not have it with you, that may need to be other information provided.

Hon STEPHEN DAWSON: In relation to the commitment, I will have to take that on notice. Certainly, the projected apprenticeship intake in 2018 is 15 and the actual is 19. We also took a number of trainees. We will take trainees on this year, so five to 10 graduates and 20 TAFE apprenticeships. That was the projected intake. The actual total will be significantly higher. I think we will probably take the remainder of that question on notice.

[*Supplementary Information No C2.*]

Hon TJORN SIBMA: This might have to be taken on notice as well. It follows on from questioning by Hon Diane Evers about the relationship between statements of corporate intent and key performance indicators and the like. With some indulgence, minister, I am actually seeking a bit of clarification about a program identified in the latest statement of corporate intent around metering and Western Power's plans to deploy advanced meters across its network for new connections and to replace some older equipment approaching the end of its service life. I am interested in the cost of this program, the advantages or the superiority of these new meters over the older ones, and perhaps you can indicate how accurate the readings of the current models are. I ask that question not out of any concern about the accuracy of Western Power's equipment, but at a previous hearing with the Water Corporation, at the beginning of this year or towards the end of last year, they noted potentially some serious variation in the accuracy of their instrumentation. I will leave it open, but I am interested in how you capture that kind of consumer data, how accurate it is and what the advantages are of the new equipment.

Hon STEPHEN DAWSON: Sure. There is some work happening in the advanced metering space. I will ask Mr Chalkley if he can provide an answer to as much of that question as possible.

Mr Chalkley: In terms of the dollars, there are two aspects of the dollars. Interestingly, the actual advanced meter—the smart part that goes with it—is probably a similar price to a mechanical meter. From that perspective, it is an unusual thought that with all the technology that is out there, we would be replacing a mechanical meter with a mechanical meter that has technology that is 50 years old. That is the basis of it and the coms network is what you really need to put as an overlay for your footprint to actually start using it.

We read our meters. We actually do manual reads of the meters and get that type of data back. Again, we comply with regulations in terms of whether they meet the tolerance and the calibration from a metering point of view. But I think it is what advanced metering actually gives you. Just as an example, we are reliant on a read every two months. That is the only bit of data we can possibly get. If we can get advanced meters in a wider population, it even gives us safety advantages because we can actually see the voltage that is going through the house. It is not just reading a meter because it give you lots of data. It gives you points of data that are very easy to collect at different times that you can utilise. You can run you algorithms and you can actually start predicting when assets could fail. It is a different type of thing; it is not just a read that you can take more often.

[2.00 pm]

Again, what has happened in the industry—it is not just electricity; it is gas and water as well—what people are seeing from an advanced metering point of view is that it has not changed that much in the last four or five years, but what has changed is the ability of companies to use the data. That was the bit that they could not do. They used to get so much data they did not really know what to do with it, but people can use the data now and it can actually drive where you invest and it can drive what makes your network safe. That is really the benefit that people are seeing out of it. Cost-wise, the front end of it is pretty much the same price as a mechanical meter.

Hon TJORN SIBMA: When do you anticipate a full replacement? You are at around 30 per cent. That is the target, but I presume the plan is to replace everything. By when will that be?

Mr Chalkley: We probably have about 1.3 million meters out there. We have said that in this regulatory period, you will probably tackle about 300 000 of them. You can sort of do it from that. It depends on what investment you think you can do after that. We got to the 300 000 by saying, "Look, if it's going to be a replacement of something that is failing or due for replacement, you'd really want to put the new style of meter in." That built up the majority of the 300 000. Clearly, any new development should not be an old-style meter; it should be a new-style meter. If it is a new development on a new housing estate, you would want the best meter in. An amount of 300 000 will give you a good spread. It does not force it on the population. It gives you a good indication. You are already achieving sort of 25 per cent of the population.

Hon TJORN SIBMA: Sure. Where are they manufactured?

Hon STEPHEN DAWSON: We are probably going to have to take that on notice.

[*Supplementary Information No C3.*]

Hon Dr STEVE THOMAS: On page 14 you reference the pole replacement program. I go to the general pole replacement program. As I recall from the equivalent estimate last year, we discussed coming to the end of the major pole replacement program, where a significant number of poles, including the three on my property, have been replaced, so thank you very much. How is that pole replacement program going now that you are coming back to the more long-term, lower replacement number? Where are we? How are you assessing how many old poles need to get put into that system?

Mr Chalkley: Asset replacement, pole replacement, is still a major program within our program of work. What we did see was just an enormous investment in it, up to sort of the commitments to complete the wooden pole inquiry. We are definitely seeing the benefits of that investment. When we are going to do inspections, there is a limited number of faults on the inspections that we are seeing. The inspection program did not stop—that still gets rolled out every four years—but it is seeing less faults. You would hope that, because you put in so many poles or extended their life

from reinforcement to where you are. For us, again it is quite a flat profile of around 15 000 poles a year.

Hon Dr STEVE THOMAS: Which is more like your annual turnover.

Mr Chalkley: Which is probably what it would have been on a normal basis before the inquiry. So it works.

Hon Dr STEVE THOMAS: What did you get up to during the inquiry? That was a significantly higher number.

Mr Chalkley: It was probably treble that in one of the years. Again, we have 800 000-odd wood poles in the network. Through that inquiry, we replaced over 300 000 or reinforced them, so you pretty much, in a really short period, on an asset life the equivalent of 80 years, did half of your investment. You would expect the program to stand up pretty well now.

Hon Dr STEVE THOMAS: Do you have an idea of how many were replaced versus reinforced?

Mr Chalkley: Ratio-wise, something like three to one was probably where it is.

Hon Dr STEVE THOMAS: Three to one replaced to reinforced?

Mr Chalkley: Reinforced to replaced.

Hon Dr STEVE THOMAS: So three times as many were reinforced as were replaced.

Mr Chalkley: But we are seeing that reinforcement is at least 15 years. That is a 15-year extension of the life of an asset. That is a big commitment in terms of the investment you can make. Obviously, what we are actually seeing is that they are lasting longer than 15 years, so the technology has again improved in how you reinforce. Again, it really has extended the life immeasurably on those assets.

Hon DIANE EVERS: I am on page 15, back to a community sort of thing. It is the TAFE scholarships. I was just interested to know what particular courses you are looking at. What are these scholarships for? Is that for the duration of the entire course or for a shorter period of time?

Mr Chalkley: We pretty much fund that course for the period that it runs. It is important to take these types of training opportunities that you can give people. One of the reasons we have gone with this, along with what I will call traineeships, where we can actually bring somebody in-house, and along with apprentices and graduates, is that it is a mix that gets you the best result. I think with the amount of technology that is actually in the industry and the change that is happening in the industry, it is important that the traditional apprentice of a linesman and a jointer is changing. We are still trying to adapt our program to get the best out of it. I think we have done pretty well. It is interesting; we got trainee of the year recently—three months ago. That was someone who we basically got in from a young age and really trained her through from a support perspective. We also got the apprentice of the year again in WA. Again, the programs do work, but you are more tailoring them to what they are. The TAFE one gives them a really good insight into what the industry is. What it would help us do is that when we can move on to a formal apprenticeship, we might have already done our selection because we have seen the people who have gone through TAFE, we have seen their application and we have seen their values, their behaviours, their appetite to do something. Again, it is a really good way of them saying it is an entry into an apprenticeship afterwards.

Hon DIANE EVERS: Do you ever do some sort of training while they are doing the TAFE course? Are they brought into your system in some way there?

The CHAIR: On-the-job training.

Hon DIANE EVERS: Yes, on-the-job training.

Mr Chalkley: The TAFE one, not so much, but we tailor the program. The traineeship one, yes; that is literally mirrored. They will get a mentor; they will get a sponsor.

Hon DIANE EVERS: You were saying that with the TAFE one, you tailored the program. This electrotechnology apprenticeship is something that Western Power is saying, "This is what we are actually going to need." There are probably not too many other businesses that need that sort of thing.

Mr Chalkley: Yes. And it tries to tailor for the future as well. It is trying to say that just because this is the industry today, this is what is happening in the industry. You try to give them an insight into whether that is where they want to go.

Hon DIANE EVERS: I think I picked up that the one that did win an award was a female.

Mr Chalkley: As a trainee; yes, she was.

Hon DIANE EVERS: Would you have pretty balanced numbers in terms of male–female?

Mr Chalkley: Our last apprenticeship intake was half and half, and included two Indigenous as well. Again, we will consciously do it. You clearly get more applications from male to female, but you have got to start somewhere. The quality of the female applications was fantastic. The fact that somebody has got the WA award. We also had two people out of the four in the finals for apprentice of the year, and both were female.

Hon DIANE EVERS: That is good.

Hon STEPHEN DAWSON: If I can just add to that, I think you will see from the annual report as well that there is a real commitment to providing more jobs in regional Western Australia. In relation to the TAFE scholarships, people from Bunbury, Albany, Geraldton and Kalgoorlie all benefited. It is important that regional Western Australia benefits, as well as the new females and new Indigenous trainees who are involved, too.

Hon DIANE EVERS: Just following on from that, you said that the role was changing. I can imagine it is. Can you suggest how it is changing? I mean, the linesmen or women, are they trying to look forward as to what we are actually going to be doing in 10 years or 20 years from now?

Mr Chalkley: I think they are asking us. They see it as quickly as we do. One of the main questions you will get asked from a depot perspective is: what are you doing about my job going forward? I think what you are seeing, just generally, is that the days of a 50-year job in one type of job is disappearing. Your responsibility as an employer is to actually reinvent those people every seven years, maybe every 12 years. There is something out there. People can see it. When this new technology comes on, we want to make sure that our people can adapt to that new technology and work on that rather than maybe some of the old.

[2.10 pm]

Hon DIANE EVERS: It might be in there and I just did not pick it up or go looking for it. What is the training component within Western Power? Would you have a significant percentage of your budget going to training in-house to keep those people employed?

Hon STEPHEN DAWSON: Of existing staff?

Hon DIANE EVERS: Yes.

Mr Chalkley: Yes, we do. We have our own training centre, which actually gets used externally as well. Yes, we deliberately wanted to maintain that and it is not just making sure your safety tickets are up to date. It is actually giving you proper training in terms of what is happening in the industry. Again, we tailor those courses to what we need and what we might need going forward.

The CHAIR: Hon Dr Steve Thomas, you have just a few minutes before we close the hearing.

Hon Dr STEVE THOMAS: I will be very quick, Madam Chair. There is probably no answer to it, but I will throw it out there. Page 36 is the statement of financial position, which Hon Diane Evers and I would probably call an old-fashioned balance sheet. I note that you have effectively gone from $2.129 billion to $2.244 billion in net assets—$115 million in net assets, of which in my calculation there is a $295 million increase in property, plant and equipment et cetera. Noting that you have a significant liability in terms of long-term debts, does Western Power keep or have on hand a valuation that might be equivalent to an evaluation for sale, or a price?

Hon TJORN SIBMA: Good question!

Hon STEPHEN DAWSON: The short answer is, no, we do not have that information at hand.

Hon Dr STEVE THOMAS: I thought that would be the short answer, Madam Chair. It was worth a try.

The CHAIR: If there are no other questions, thank you. On behalf of the committee, I thank you for your attendance today. The committee will forward the transcript of evidence, which highlights any questions you have taken on notice and any additional questions that members may have after Monday, 26 November. Responses to these questions will be requested within 10 working days of receipt of the questions. If you are unable to meet this due date, please advise the committee in writing before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, please submit these via the electronic lodgement system on the POWAnet site by five o'clock on Wednesday, 25 November. Once again, thank you for your attendance today.

Hearing concluded at 2.12 pm

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