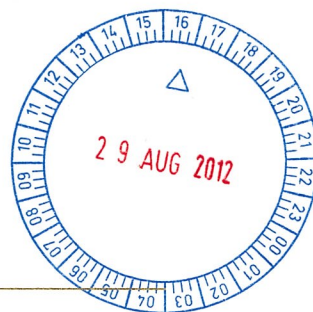




**PUBLIC**



**Hon Peter Collier MLC**  
**Minister for Education; Energy; Indigenous Affairs**

Our ref: 34-20211

Ms Samantha Parsons  
Committee Clerk  
Standing Committee on Estimates and Financial Operations  
Parliament House  
PERTH WA 6000

Dear Ms Parsons

**SUPPLEMENTARY INFORMATION – 2012-13 LEGISLATIVE COUNCIL  
BUDGET ESTIMATES PUBLIC HEARING**

Thank you for your letter dated 9 August 2012 regarding an appearance at the Estimates and Financial Operations Committee's 2012-13 Annual Budget Estimates hearings on 3 August 2012.

As requested, attached are responses, for Verve Energy, to requests for information that were taken on notice.

Yours sincerely

Hon Peter Collier MLC  
**MINISTER FOR ENERGY**

Att.

## **ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE**

### **QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION.**

**Friday 3 August 2012.**

**Verve Energy**

*Question E1: Hon Ljiljanna Ravlich asked –*

*Details of how Verve Energy will achieve \$63 million in savings for the efficiency dividend in 2012 and 2013*

**Answer:**

In 2011-12, Verve Energy achieved efficiency dividend savings of \$24.2 million. These were predominantly achieved through cost reductions at its Kwinana Power station and the safe deferral of planned maintenance expenditure into future years and deferral or cancellation of feasibility studies for potential new generation plant (including renewables) in line with lower forecast electricity demand.

For 2012-13, Verve Energy revised its proposed capital works to defer low risk works at Kwinana Power Station, Cockburn and Muja Power Station. Feasibility studies for potential new generation plant were again deferred in line with lower forecast electricity demand. In addition, no escalation was applied to the budgets for materials, services and administration.

In total, Verve Energy expects to be \$4.5 million ahead of schedule to deliver both tranches of the Efficiency Dividend.

## ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

### QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION.

**Friday 3 August 2012.**

**Verve Energy**

*Question E2: Hon Ljiljanna Ravlich asked –*

*Details of risk analysis undertaken to determine maintenance priorities which could be deferred to harvest efficiency dividend savings.*

Answer:

Verve Energy monitors and reviews its capital and operating budgets to ensure the best operational and financial results and as part of the process of ensuring Verve Energy meets its mission to support energy security, lead electricity policy development, retain a diversified portfolio and transition to new, cleaner and more efficient plant types. Risk assessment is built into all those considerations.

Therefore Verve Energy was well placed to respond to the efficiency dividend request by identifying activities which could be deferred without compromising reliability of electricity supplies.

These reviews take account of statutory requirements, plant utilisation (actual versus forecast), likely future demand forecasts, operational demands of the Wholesale Electricity Market and the age of the plant and its position on the dispatch stack.

In this way, the reliability of the major stations Collie and Muja can be retained while some flexibility can be found for lower-order and less used plant such as Kwinana Power Station.

Fundamental to Verve Energy's assessment of plant maintenance and associated expenditure are processes introduced by leading international power group RWE. Since 2007, the RWE Engineering Risk Assessment Process, Plant Life Utilisation System and Optimum Maintenance Spend Plan methodologies have been adopted to manage the plant risk, condition and spend across the generating portfolio.

Underscoring all these considerations is Verve Energy's deep understanding of the condition of its plant accumulated by employees over many years.

## ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

### QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION.

**Friday 3 August 2012.**  
**Verve Energy**

*Question E3: Hon Ken Travers asked –  
Clarification of contributions to the Greenough River Solar Farm by Royalties for Regions, the State Government and Joint Venture partners; and where are these figures noted in the State Budget.*

**Answer:**

Verve Energy expects it will invest \$34.45 million into the Greenough River Solar Farm and that \$14.45 million will be provided by external Joint Venture partner.

Verve Energy's investment is being partly funded by equity contributions of \$10 million from Royalties for Regions and \$10 million from the former Office of Energy. All but \$2.5 million of this was received up to 30 June 2012. The RFR contribution was received \$5 million in 10/11; \$2.5 million in 11/12; and the balance of \$2.5 million is due from Royalties for Regions in 12/13 (Refer to BP2, page 597)

Verve Energy's contributions to joint ventures are not explicitly shown in the Budget Papers.

**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE**

**QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION.**

**Friday 3 August 2012.**

**Verve Energy**

*Question E4 Hon Ken Travers asked –*

*A list of advisors used for the Greenough River Solar Farm and Mumbida Wind Farm projects.*

Answer:

**Greenough River Solar Farm**

Azure Capital Pty Ltd  
Bouncing Orange Pty Ltd  
Garrad Hassan  
Grant Bradley Alderson  
Green Power Labs Australia P/L  
Jennifer Borger, botanical consultants  
Milsearch Pty Ltd  
Murdoch Link P/L  
Sinclair Knight Merz Pty Ltd  
SYC Electrical Consulting P/L  
Western Power

**Mumbida**

Parsons Brinckerhoff  
Worley Parsons  
Freehills  
APP  
Blake Dawson  
Allens Arthur Robinson  
Williams Ellison  
Price Waterhouse Coopers  
SKM-MMA  
Mercer  
AON  
SVT Engineering  
Macquarie Capital  
Garrad Hassan  
Western Power

## **ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE**

### **QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION.**

**Friday 3 August 2012.**

**Verve Energy**

*Question E5: Hon Ken Travers asked –*

*Details of any potential or actual conflicts of interest identified in the processes around Greenough River Solar Farm and Mumbida wind farm and how were they managed.*

**Answer:**

No actual conflicts of interest were identified in either process.

The number of legal agreements required for Mumbida meant legal advice was an area of potential conflict of interest. It was managed by ensuring that before negotiations each party notified the other of the person who would be representing them. This ensured that the representing legal firm was not the same.

## **ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE**

### **QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION.**

**Friday 3 August 2012.**

**Verve Energy**

*Question E6: Hon Ken Travers asked –*

*Explain the procurement process for the two renewable le energy projects (Greenough River Solar Farm and Mumbida wind farm).*

**Answer:**

Greenough River Solar Farm – the procurement process for the GRSF project was by invitation to a shortlist of seven of the world’s leading solar photovoltaic companies. A probity auditor was engaged to oversee discussions and communications with shortlisted parties.

Mumbida – An EOI process in 2007/2008 for a joint venture partner and turbine manufacturer/supplier attracted multiple responses and resulted in Macquarie Capital and GE (respectively) emerging as preferred candidates. Discussions confirmed Macquarie as the JV partner while GE was joined by Leighton Contractors as the construction consortium selected by the Mumbida Wind Farm joint venture.

## ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

### QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION.

**Friday 3 August 2012.**

**Verve Energy**

*Question E7: Hon Ken Travers asked –*

*What efforts have been made to expedite the approval by the Treasurer and the Department of Treasury of Verve Energy's 2012/13 Statement of Corporate Intent*

Answer:

Given the nature of the request, the need to ensure appropriate third-party consultation, and the need for a proper review of the material to be undertaken, to comply with confidentiality and privacy requirements, it is requested that the Honourable Member submit this request under the *Freedom of Information Act*. Any such request will be dealt with expeditiously.

It is noted that the Minister for Energy gave his agreement to the Statement of Corporate Intent on 14 August 2012 and the document was tabled in Parliament on the same day.



## **ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE**

### **QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION.**

**Friday 3 August 2012.**

**Verve Energy**

*Question E8: Hon Ken Travers asked –*

*What is Verve Energy's average weighted cost of capital and the average interest rate paid for borrowings?*

**Answer:**

Given the increasingly difficult market for finance and projects in the generation area, Verve Energy believes that disclosing its current WACC is now commercially sensitive and would like to treat this information as confidential. This is to preserve and protect its position in the competitive electricity market. The weighted cost of capital and interest rate on borrowings both influence Verve Energy's submissions when competing for new business. Verve Energy's competitors would find this information very useful in preparing their own submissions.