

STANDING COMMITTEE ON PUBLIC ADMINISTRATION

**INQUIRY INTO ELECTRICITY TRANSMISSION AND DISTRIBUTION
MANAGEMENT BY WESTERN POWER AND HORIZON POWER**

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 19 SEPTEMBER 2012**

SESSION ONE

Members

**Hon Max Trenorden (Chairman)
Hon Jon Ford (Deputy Chairman)
Hon Ken Baston
Hon Jim Chown
Hon Ed Dermer**

Hearing commenced at 10.15 am

WATKINSON, MR GREGORY

Chief Executive Officer, Economic Regulation Authority, examined:

ROWE, MR LYNDON

Chairman, Economic Regulation Authority, examined:

KELLY, MR PAUL

Executive Director, Economic Regulation Authority, examined:

PULLELLA, MR ROBERTO

Executive Director, Access, Economic Regulation Authority, examined:

The CHAIRMAN: Welcome, Lyndon, to you and your team. It does not seem all that long ago that we were doing a different process so, clearly, we just want to follow that up. Before we start, I will just remind you that for us this is a continuation of the previous inquiry. You have already been sworn in on a previous occasion so we do not need to go through that process, but those rules still apply. It is still a matter of privilege, so long as you all understand that we will not go through that procedure if it is not necessary. Would you like to say anything?

Mr Rowe: I have prepared some introductory comments. I have tried to guess what you might be interested in hearing from us, and it may help with your questions. It will probably take me five to 10 minutes to read out.

The CHAIRMAN: Just to make this process formal, I will read out a short statement about why we are having this hearing, and then you can read your statement. This committee tabled report 14 “Unassisted Failure” on 20 January 2012. That report mainly dealt with the asset manager and problems and cultural issues within Western Power. The committee has decided to hold hearings this morning to find out what has happened since January. Our purpose is to do a short review. Our parliamentary year finishes, in sitting terms, in November, so we wish to report before November, and for all intents and purposes this committee then ceases to function. That is where we are at.

Mr Rowe: Thank you, Chair. We welcome the opportunity to meet with you. I thought it might be useful for me to make some brief comments with respect to our two roles with Western Power; our role as a licensing authority for Western Power, and also our role in determining the access arrangement for Western Power for the next five years, particularly given that recently our final decision on that access arrangement came out. I will deal with each of those in turn. Firstly, I will deal with the update on licensing—the current performance audit and asset review process, which is underway at the moment. The authority has approved Grant Thornton to undertake the performance audit. They also did it in 2011. We are expecting that draft audit on 28 September, and on normal procedures we would expect that performance audit to be released publicly sometime in November. With respect to the asset management review, similarly that is currently underway. The authority has approved Qualeng to undertake that audit. It was undertaken by GHD in 2011. In a meeting with both Qualeng and Western Power in setting the scope for that audit, we have asked for a specific focus on the issue of wood poles, and the number of issues around that area. Again, we are expected to receive that draft review on 12 October this year, and therefore you can expect the public release of that document in November or December this year.

In respect of the section 32 notice that we issued on 17 October last year, the committee will be familiar that there were eight contraventions in that; six related to the distribution licence and two related to the transmission licence. Rectification of those contraventions was due to be achieved between 31 December last year and 30 April this year. We had written advice from Western Power on 17 January this year, that they had rectified four of the distribution licence contraventions. We then had another letter from Western Power on 2 April this year indicating that the remaining two distribution licence contraventions and the two transmission contraventions had both been rectified. Of course, the audit review reports will confirm that, but Western Power has advised that those contraventions have been corrected, and that will be an issue that will be addressed in the audit and review reports when we get them.

The last comment I make with respect to our licensing role is that you will be aware that we have had concerns in the past about the compliance culture within Western Power. I am pleased to report that in our view there has been a significant improvement in that culture, particularly in the last six months. I am happy in question time to give you some examples of that. It is fair to say that in our view, compliance with licence obligations is now taken far more seriously by Western Power than it was at this time last year. That is pleasing from our point of view.

I will turn now to the access arrangement that is to apply from 1 July this year to 30 June 2017—so for the next five years. Our final decision on that access arrangement was released on 5 September. Before I go into some of the detail, it is probably worth putting that decision into some sort of context. Since the disaggregation of Western Power, and before the disaggregation, it is generally understood that there was a significant underspend on Western Power's networks. The network had been allowed to run down—probably for a decade or more there was an underspend on the maintenance of the asset. I do not need to tell this committee that there were real safety reliability issues and there was a need for a significant additional expenditure on the network. It is fair to say that that need for greater spending was recognised by Western Power and by the ERA in AA1 and AA2. There were significant increases in the allowable revenue for Western Power in both of those access arrangements. AA1 went from 2006–07 to 2008–09. AA2 went from 2009–10 to 2011–12. Over those six years, there has been a significant increase in the amount of annual revenue for Western Power to look after the network. I will give you an example. Between 2006–07 and 2011–12, the average annual revenue increase was 16.2 per cent real or 19.4 per cent nominal. That means that the annual revenue in 2011–12 available to Western Power is more than double in real terms what it was in 2006–07—so there has been a very significant increase in the amount of resources that Western Power has available. If I look at it in tariff terms, between 2006–07 and 2011–12, the average annual increase in real tariffs has been 13.6 per cent each year or, in nominal terms, 16.7 per cent. That means that in 2011–12, average tariffs across the distribution and transmission network are nearly double what they were in 2006–07 in real terms. The thing to remember about all of that is that these tariffs make up—in current retail tariffs—about 40 per cent of the cost of retail tariffs. This final decision maintains those raised levels of revenue but sees no need for further increases. In effect we are saying that the increased funding needed to catch up has been achieved, but it needs to be maintained at those levels for the next five years for that catch up to continue to take place. However, we see no further need for the sort of increases we have had over the past year. In fact, the final decision means that on average there will be no real increases in Western Power tariffs over the next five years, but it is important to understand that it is after having that significant increase in revenue.

[10.20 am]

In summary of the decision, we are required to set a revenue cap for Western Power over the next five years. We have set that revenue cap at \$6.5 billion. It has been reported in the press correctly that that is about \$3.6 billion or 35 per cent less than what Western Power originally asked for or, when Western Power came back in response to the ERA's draft decision, it is about \$2.4 billion or 26 per cent less than what it asked for as a result of the draft decision. So Western Power came back

in response to the draft decision asking for a lesser amount. In the final decision, we have given them \$2.4 billion less than it asked for in response to the draft decision. Again, it is important to understand as I just explained, that this is not a reduction on revenue compared with what it has achieved in the past. This is a reduction in what it asked for, not on what it is currently getting. Indeed, the decision maintains the current, very significantly increased, levels of revenue. In terms of tariffs, Western Power originally sought an annual average real increase of around 12.3 per cent each year for the five years. In response to the draft decision, it revised that to real increases of 10.3 per cent. Our final decision approves an average annual real increase of 0.1 per cent; so virtually maintaining tariffs constant in real terms. The main difference for those reductions on what Western Power asked for was the allowable rate of return. The rate of return we allowed is significantly less than what Western Power asked for and, indeed, that accounts for about two-thirds of that \$2.4 billion—so around \$1.6 billion of that is due to the lower rate of return. Other contributors to that were reduced allowance for op-ex and cap-ex; a non-allowance of the cap-ex that was disallowed in AA1, of which this committee is familiar with; and a reduced tariff equalisation contribution. The gazetted tariff equalisation contribution that the government gazetted was less than what was in the original proposal for Western Power.

I thought I might comment a little more on capital expenditure and, in particular, the cap-ex on poles. I know that this is of particular interest to the committee. In the draft decision, Western Power asked for \$748 million to increase its replacement and reinforcement of wood poles to 33 000 per annum, or 165 000 poles over the five years. That was approved in the draft decision by the ERA. Further, in the draft decision we recognised that that was unlikely to be sufficient to meet energy safety requirements, and we pointed out this was a matter for Western Power and EnergySafety. The safety requirements needed to be resolved between them. It was not a matter for the economic regulator, but we recognised that what Western Power had put to us was unlikely to achieve what the safety regulator wanted. Therefore, we did two things; we not only approved everything they asked for but also, for the purposes of the draft decision, we said that we would include in what is called the “investment adjustment mechanism” any cap-ex spent on wood poles. That means that provided it is efficient expenditure, at the next access arrangement review we will take into account when they spent that money and give them a return on and of that money from when they spent it. The other alternative they have is through what is called the NFIT. They could come to us in advance and say, “We want to spend this money and get approval for it in advance as well.” The point I am making is that provided the expenditure is efficient, there was no constraint on the pole cap-ex in the draft decision.

In response to the draft decision, Western Power proposed to spend an additional \$332.5 million on pole reinforcements. They estimated that that would enable them to reinforce roughly an additional 205 000 over that five-year period. They also indicated they were looking at options to undertake a further 75 000 reinforcements. The final decision approved the \$748 million and the \$332.5 million; so we approved everything they asked for, a total of \$1 080 million. We continue to include poles in the investment adjustment mechanism for AA3 only, and of course the NFIT option—the new facilities investment test option I talked about—remains open for them to use as well. Again, providing the expenditure is efficient, there is no financial constraint in AA3 that would restrict Western Power from addressing the concerns of the safety regulator.

With respect to Western Power’s performance, I will not go into detail. We will leave members with copies of the notice of the final decision and explanatory memorandum that went with it. I will not go into great detail on Western Power’s performance because we deal with it at some length on pages six to eight of this explanatory memorandum; suffice to say that it is ERA’s view, based on a technical consultant’s advice, that the process for managing the development and implementation of both cap-ex and op-ex have improved since AA2, and particularly since AA1. However, our consultant and we remain concerned that there are still some areas of weakness, particularly in relation to risk management and asset information, and that that has the potential to lead to some

inefficient expenditure. Again, there is a significant improvement, but there are still some concerns that we have about those processes.

The CHAIRMAN: We have a limited amount of time as you are probably aware because we have the other players involved this morning as well. We would like you to go through it but, if I can repeat myself, our active consideration is that we cease to operate in November and we would like to leave something for a future committee to consider. We cannot tell any future committee what they can do, but we would like to leave information to encourage them to continue the oversight that we have done for the last few years. If we can move to the questions they will address some of the issues that you have already raised.

You have had a chance to read report 14. From your perspective, what are some of the more important things in the report? We will be leaving some text about our view for a future committee. We would like to quickly see what you really thought of report 14.

Mr Rowe: In some ways, the conclusions of report 14, for us, were not unexpected. If I go to the particular issues relating to the ERA in that report, perhaps three particular comments come to mind. In your questions, there is a comment on the \$261 million, and was the regulatory signal seen and understood. My answer is: absolutely. Indeed, the ability of the authority to do ex-post reviews of the expenditure for efficiency is a strong incentive for the provider to make sure they spend their money wisely. It is interesting to note that there is current proposed rule change in the national electricity rules. Currently, the Australian Energy Regulator does not have the capacity to do ex-post reviews. One of the proposals in those rule changes would give the AER the right to do an ex-post review of capital expenditure that was over and above what was approved at the time of the access arrangement. It does not give them the opportunity that we had to go back and look at all the expenditure, but it gives them the opportunity to go back and look at expenditure that was over and above what was approved in the access arrangement. That is a good outcome.

We took your comments seriously about the plain-English approach that we might be able to take in decisions, and the accessibility of our decisions. I am not sure how accessible a 671-page decision is, but what we have done in both the draft decision for Western Power—and in the explanatory memorandum that you have at the moment, which is very similar—and the final decision for Western Power, is include upfront a summary of that decision. In the first 16 pages of the decision—it is not quite exactly the same as the explanatory memorandum that you have in front of you but it is pretty close—we have attempted to address that accessibility and clarity issue. It will never be easy, that is the nature of the business we are in, but we were attempting to address that matter.

The third comment will come as no surprise to you. We are strongly supportive of the recommendation in your report that goes to us being the controller of the audits; so the auditor is employed and directed by the authority, rather than by the provider at the provider's cost. That is a discussion we had and we are obviously strongly supportive of that recommendation and pleased that the government appears to have accepted that. We think that is a good step along the way. The other comment that came out of your report was about our relationship with EnergySafety. To be perfectly honest, we think that you are perhaps a little more critical of that relationship. We think we have a good relationship with EnergySafety and that the role clarity between the two of us is understood, but we note your comments and have therefore been keen to make sure that we consult well with EnergySafety on any matters. We thought we were doing that, but as a result of the committee's report we are making sure that we are doing it.

[10.30 am]

The CHAIRMAN: Can we go through the dot points on the board? Report 14 was tabled on 20 January this year. How would you compare your dealing with Western Power before that date, and since?

Mr Rowe: I would repeat some comments I made in my introduction. With respect to our licensing role, we have detected a significant change in the approach that Western Power adopts with respect to compliance. Paul might want to comment on some of those issues and details. There are a couple of examples I am sure Paul could give you that illustrate that compliance issues are being taken far more seriously than they were in the past, and we certainly welcome that.

Mr Kelly: When I last appeared, we spoke about type 1 breaches of licence conditions, which are very serious breaches and require notification to the authority within 24 hours. There was a history of type 1 breaches—I think there were about seven or eight from memory—up until the beginning of this year. With the change in management at Western Power, there were two subsequent type 1 breaches that the authority was notified of immediately. They were of a similar nature to the earlier ones. They thought they had resolved the issues in terms of their contractors and their internal reporting and management processes. They therefore made a decision that there would be no planned outages, so they would stop all planned work until they totally resolved the problems internally. That lasted for quite some time. All maintenance work was stopped while they dealt with it in a serious manner, and they subsequently reintroduced their planned maintenance and planned outages, and there has not been a type 1 breach since that time. That is an example where there was a significant change in their approach, and they were treating those activities very seriously and notifying us immediately.

The CHAIRMAN: In 2009, you penalised Western Power for \$261 million for its financial failings. This may have been a regulatory signal about your expectations for future improvement. Here we are, three years later; has your regulatory signal been received, understood and responded to by Western Power as you had hoped?

Mr Rowe: I think I also dealt with that partly in my opening comments. The answer to that is yes, we have seen a response. The example I would use is that in Western Power coming to us with the proposal for AA3, it significantly underspent on cap-ex in AA2 to what we actually allowed in AA2. Their advice to us on that was that as a result of that \$261 million decision, they reviewed their processes and their decisions on cap-ex, and as a result of that some cap-ex was either deferred or cancelled. We think that is a fairly good indication that the issue was taken seriously.

The CHAIRMAN: Generally speaking, how did you see Western Power's network asset management systems, processes and procedures before report 14 was tabled?

Mr Rowe: Again, I will answer this in two ways. I think I have said to this committee before that the degree of communication we have with Western Power has never been the issue in terms of the two-way discussion we have with Western Power. Probably the most significant change we have seen since 30 January is to do with the comment we have already made about compliance and the culture of compliance, which has certainly improved.

The CHAIRMAN: Is there anything else you want to say after the report?

Mr Rowe: The other comment I could have made under the first question was that our role in following through on the recommendations report and the approvals by the government is as an authority to assist. We are not a policy body. The policy decisions will be picked up by the public utilities office or the Department of Commerce and EnergySafety, but we have already had a number of discussions with the public utilities office and are keen to do what we can to assist in making sure those recommendations are followed through, but the actual recommendations themselves are not really within our gambit.

The CHAIRMAN: Generally speaking, where can you see actual measurable improvement in Western Power's performance? I know you have indicated a couple already, but is there anything else you want to say?

Mr Rowe: It is fair to say that I have noticed, since the change in management in Western Power, a greater willingness and a desire to meet and consult with the regulator. I guess Western Power is taking our role more seriously.

The CHAIRMAN: From where you sit, can you see any change in communications between Western Power and EnergySafety? Is there anything recognisable from your seat?

Mr Rowe: It would be unfair for me to comment on that. I think that is a question for EnergySafety.

The CHAIRMAN: We will move on to the next question then. You have already spoken about this, but we just need to ask the question because we will be putting this in our report. In its AA3 proposal, Western Power asked for about \$750 million for its wooden pole power program. You have actually agreed to fund an additional 50 per cent of this program. Your consultants have expressed repeated concerns about the size of Western Power's wooden pole inspection backlog. In addition, your consultants recommended that the wooden pole power reinforcement contract should be amended to include a data capture function for each pole that is reinforced. Why have you approved the extra 50 per cent in the safety-related funding for Western Power? I know you have already spoken about that.

Mr Rowe: We accept readily that there is a need to improve the power pole situation and, therefore, we have accepted what Western Power put to us. We indicated in our draft decision that if Western Power had come back to us with a request for more funding to address the wooden poles issue, given our comment that in our view it was unlikely to meet the safety regulator's needs, then it is no surprise that we have accepted what they put to us. I have already indicated to you that providing the expenditure is efficient, there is the capacity for them to spend more than that we have approved either by getting pre-approval for that through the NFIT process, or through the investment adjustment mechanism, and we will take that into account when we access the next access arrangement. Providing it is efficient expenditure—I keep saying that because we will do a review on whether it has been efficient—then it will be approved. I was going to comment to the second part of your question —

The CHAIRMAN: The second part of the question included a data capture function.

Mr Rowe: Yes, sorry. When I was talking about our licensing role, I mentioned that we met with the reviewer and Western Power to define the scope of the review, and we are particularly focused on the accuracy and reliability of the data that is captured as part of that review. We are eagerly awaiting that review and we will receive it later this month.

The CHAIRMAN: We will be interested too, I can assure you. You will not be surprised at the next question: does Western Power really have the ability to spend these extra resources efficiently, or is the additional funding just an invitation for Western Power to be inefficient?

Mr Rowe: No. Western Power, in its first proposal they sent to us, put a proposal to us that they thought was at the limit of their ability to deliver. What you have seen—this is probably a question for Western Power—in their response to the draft decision is a focus more on reinforcements rather than replacements. I assume there is a greater capacity to do reinforcements than there is to do replacements. In answer to your question about whether this is an invitation for Western Power to be inefficient, my answer is no. Before we approve rolling that capital expenditure into the capital base, we will do an ex-post assessment of it to determine whether it has been efficient. I also note that the technical adviser indicated that there were, in his view, some efficiencies by which that could be improved. In our draft decision and final decision we made the comment that we acknowledge that, but the extent to which those efficiencies can be achieved should result in more spending on doing more poles rather than simply reducing the cost.

The CHAIRMAN: That is a good answer. Has Western Power told you whether their reinforcement contract can and will be amended?

Mr Rowe: I think “no” is the answer.

Mr Pullella: No.

The CHAIRMAN: As you are aware, that was a major concern of ours; the knowledge of their own assets.

Mr Rowe: I cannot comment on the question.

[10.40 am]

The CHAIRMAN: We will ask other people that question. Given the continual lack of clarity about the inspection backlog and the poor state of Western Power's asset data, can you be sure that you have hit the right level of funding in this asset class?

Mr Rowe: I guess, in part, we will be in a better position to answer that when we see the result of the review that is due in October—the asset management review will tell us that. In terms of the final decision, again, we took the view that this was an area where we should approve what Western Power had asked for, noting that we will be doing an efficiency review on the expenditure that is undertaken.

The CHAIRMAN: We will be interested in the results.

Hon JIM CHOWN: You stated in your public document that you believe there are still areas of weakness particularly in relation to risk management and asset information, and potentially these weaknesses may lead to inefficient investment decisions.

Mr Rowe: Correct, and that goes to the issue that the committee is concerned about; the quality of the information and, therefore, the ability to deal with those poles as efficiently as possible. The risk management goes more to not so much about whether they have assessed the risk, but the risk management concerns raised by our consultant was about whether they are optimising the expenditure they have got and addressing the higher risk as distinct from lower-risk issues.

Hon JIM CHOWN: You also commented about the quality of their current database and whether they have the ability to invest appropriately and to ensure that their databases are relevant to the modern world and up to standard industry practice.

Mr Rowe: Correct, and the review will give us more information about that as well.

Hon JIM CHOWN: I assume your performance audit will target some of these issues?

Mr Rowe: Yes, absolutely.

Mr Kelly: It is a little bit premature at this stage for us to be making any comments because we have not even received a draft of the performance audit or the asset management review. It is important to also bear in mind that it was only 12 months ago when the last one was completed. This is a crucial period, both for the committee and for us, to see what has happened over the last 12 months. Unfortunately the committee's calling of us today is probably about three or four weeks premature. We have worked very closely with the auditor and we have absolutely nailed the approved audit plan to look at the particular area that we wanted the auditor to look at, but, unfortunately, it is just a matter of time before we get that draft report, which —

Hon JIM CHOWN: Well that actually leads to my next question: would it be appropriate that this committee be made aware of the particular focus of the performance audit that you are undertaking on Western Power? What categories are you actually doing a performance audit on?

Mr Rowe: With respect to wood pole management, a meeting was held between Western Power and Qualeng, the asset management reviewer. As a result, in Qualeng's report with respect to wood pole management we asked them to focus on record keeping and, in particular, inconsistencies in records; reviewing the accuracy of a sample of wood pole records, repeating the same approach regarding samples used in the previous review; the examination of the adequacy of the end-to-end pole management processes and practices; comparing wood pole inspection records in a corporate database with contractor invoices for following inspections and determining whether DEFMS—the

corporate database records—are accurate and up-to-date; testing that wood pole inspections over the audit period are consistent with four-year inspection cycles; testing that poles requiring immediate actions have been rectified in a timely manner as per business requirements; understanding the discrepancies between wood pole failure causes, as ordered through NOCC and through DFMS—assisted versus unassisted; and examining Western Power’s policy to determine whether wood pole failure is unassisted and, in turn, whether the criteria has been accurately applied to the failures that occur during the review period using samplings. Over and above our normal review process we have made sure there is a specific focus and a scope on those issues.

The CHAIRMAN: Mr Rowe, this is not a committee question; this is my own question. During the inquiry one of my concerns was—it has come out of 20 years of doing committee work—the quality of the auditors. I was concerned, personally, that some of the work was clearly, in my view, slack. Are you sure that that same pool of auditors—because let us face it, we have not got a big pool—can get up to speed and do an audit that you are comfortable with?

Mr Rowe: Paul might like to comment on that.

Hon JIM CHOWN: We are calling that the performance audit, are we not?

The CHAIRMAN: Yes, performance audit.

Hon JIM CHOWN: We need to use that terminology.

The CHAIRMAN: What I am talking about is the firms themselves.

Mr Rowe: There is both the performance audit and the asset management reviews. I will let Paul comment. But I guess what I would say, as I have already said, is we welcome the committee’s recommendation and the government’s acceptance that those auditors should be contracting to us, not the provider.

The CHAIRMAN: And you can oversight the auditors?

Mr Kelly: If the committee’s recommendation is picked up and the legislation is changed, we become what is in technical contracting terms, the principal of the audit. So, we can then direct the auditor to do anything we want. We are the first ones to receive the report. We work with the auditor and the auditor is effectively employed by the authority. Under the current legislative arrangement, the auditor is employed by Western Power or the licensee, whichever is the case, and we are the recipient of the audit. So, we are the customer of the document at the end of the day. So, we have quite limited ability to influence the audit on the way. We can ask for, subsequently, the working papers, which we have done on occasions, but it is rather limited in terms of what we can do.

In relation to your question about the quality of the audit, if I recall the commentary from the committee at the hearings that I attended, I think the commentary was not so much about the auditors that were doing the asset management review and performance audit for us, but there was a bit of confusion about who owned the audit and whether some internal audits that were undertaken by Western Power were, in fact, robust enough and whether they were seen as Western Power audits or whether they were EnergySafety audits. There was a bit of confusion, if I recall the hearings correctly.

There is a limited pool and I think we are forever mindful that it is a tough gig for an auditor, particularly a large auditing firm, to bring down some unpleasant audit findings, because obviously Western Australia is a small place and they are looking for work. The submission of the request for approval to the authority of auditors is sometimes quite limited. There is a tendency for licensees to go for the cheapest and the least intrusive proposal and, unfortunately, there is not a lot we can do about that. We have insisted on some occasions that there be additional hours employed and greater expertise in terms of the makeup of the audit team. But we are sort of one step removed and there

are some difficulties. I think if the legislative change proceeds, we will be in a much stronger position.

The CHAIRMAN: I would agree with that. I am not actually saying those firms are not competent. I just think the rigour was not there to oversee it correctly, particularly in the question of the internal audit. We will leave it at that.

Hon JIM CHOWN: It still leaves the question of integrity and impartiality regarding your system as it currently stands.

The CHAIRMAN: Let us be positive and hope that these recommendations are picked up and you will be selecting the auditor and you will be giving the direction to the auditor and, therefore, the process may dramatically improve. Those are the sorts of issues we want a future committee to keep an eye on. We are tight on time.

Hon ED DERMER: I picked up Mr Rowe's initial comment about the asset information weakness, if I got the words correct. That is correct, Mr Rowe?

Mr Rowe: Yes.

Hon ED DERMER: Then you went on to give more detail about that. It reminded me of the evidence gathering stage of the preparation of our fourteenth report when we were hearing about Western Power's not knowing how many power poles they have and not knowing the location of each power pole, when we had gathered evidence to say that in another jurisdiction, that was Queensland, that was standard information that was available to their equivalent bodies. I am still very concerned about the evidence I received here about the weakness of the sound, dig and drill method of assessing the strength of a power pole and the potential of that method to actually weaken the strength of the power pole. Given all that, it would seem to me that before we go too much further down the track of massive capital expenditure to restore the quality of the system, it would be logical to have an initial investment more in the asset management side because the actual understanding of the asset, you would expect, logically, would guide the decisions made as to where the capital expenditure is most urgently needed.

[10.50 am]

Mr Rowe: Yes, and I guess to the extent the accuracy of the information and the quality of the recorder of the information through the contractors is something we will be very interested in in terms of the asset management review when we get it. In terms of the most appropriate way to address the pole issue, I think in some ways that is an issue between EnergySafety and Western Power. Certainly when we come to assess that expenditure, one of the people we will be consulting with is EnergySafety. So, you are right in the sense of let us make sure we get it right. My understanding is that there has been significant work and discussion between EnergySafety and Western Power, but that is perhaps a question you might like to ask them.

Hon ED DERMER: I could understand the need in some areas for urgent remedial capital investment in terms of new poles and the reinforcing but I would have thought at least as important is getting the asset management correct —

Mr Rowe: You are absolutely correct. It is important that we identify which poles are the urgent ones.

The CHAIRMAN: Members, we have a tight program this morning and we have run out. We are going to talk to Western Power this morning. We are going to talk to EnergySafety this morning. Therefore, we might have further questions, Mr Rowe, of your grouping, so you might just get some correspondence from us. Please keep in mind we have a tight program. As I said, we finish in reality when the Parliament finishes, so we do want to report. We do want to set up a process that encourages a future committee to at least keep an oversight on this issue for a period of time. If you could keep that in mind, we would appreciate it.

Mr Rowe: We are happy to receive further questions, Chair, and we will respond as quickly as we can.

The CHAIRMAN: Is there anything else you would like to say before you go?

Mr Rowe: No.

The CHAIRMAN: Thank you very much for your attendance. Can I say on behalf of the committee that we have appreciated your commitment? It was not easy doing this inquiry. No-one actually joys these things, but hopefully the outcome will be positive.

Hon JIM CHOWN: Your commitment and your candour.

Hearing concluded at 10.52 am
