

PAC – ANNUAL REPORTS INQUIRY

Questions Taken on Notice at the public hearing of 18 February 2010

Question No	To	Subject
1	Treasurer	Information provided during Estimates
2	Treasurer	Role of the Department of Treasury in the dam costs
3	Treasurer	Record of meetings
4	Treasurer	Cabinet discussions
5	Chief Minister	Chief Executives Water Group
6	Treasurer	Capacity of the Tantangara transfer
7	Treasurer	Capacity of the MGT
8	Treasurer	MGT – cost benefit analysis
9	Minister for the Environment, Climate Change and Water	Population projections
10	Treasurer	Easements – advice to landholders
11	Treasurer	Easements - conditions
12	Treasurer	Procurement
13	Minister for the Environment, Climate Change and Water	Timeline of advice

Note: Highlighted items are those questions that were not answered as at 22 March 2010

15/3/2010

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY

**2008-09 ANNUAL REPORT HEARING
QUESTION WITHOUT NOTICE TAKEN ON NOTICE
18 February 2010**



Mr Smyth- Asked the Treasurer upon Notice:

What role did Treasury play in that number, the 145? Did they play any role?

Ms Gallagher: I will have to take that on notice. It predates my time.

<http://www.hansard.act.gov.au/hansard/2009/comms/public23.pdf>

Treasurer - The answer to the Member's question is as follows:

Treasury's role was to provide advice to the Government regarding the economic benefit of the Enlarged Cotter Dam. This advice focused on reviewing ACTEW's Net Economic Benefit Analysis, in which the estimate of \$145 million was applied.

Treasury had no reason to doubt the \$145 million figure as it had been independently reviewed by ACTEW and the Independent Competition and Regulatory Commission (ICRC) during the price determination process in 2007. Halcrow, which was commissioned by the ICRC to conduct the review, concluded that ACTEW's proposed capital expenditure was a reasonable estimate and it was subsequently accepted by the ICRC.

Approved for circulation to the Member and incorporation into Hansard.

A handwritten signature in black ink, appearing to read 'K. Gallagher'.

**Katy Gallagher MLA
Treasurer**

Date: 12.3.10

4/3/2010

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY

**2008-09 ANNUAL REPORT HEARING
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18 February 2010**

Mr Smyth- Asked the Treasurer upon Notice:

Minister, do you have a record? Does your staff?

Ms Gallagher: I have not seen one but I will check my office records.

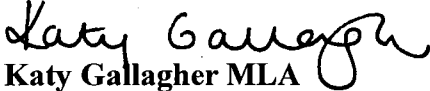


<http://www.hansard.act.gov.au/hansard/2009/comms/public23.pdf>

Treasurer - The answer to the Member's question is as follows:

My chief of staff recorded her meeting with Mr Sullivan on 16 July 2009 in an informal working notebook.

Approved for circulation to the Member and incorporation into Hansard.


Katy Gallagher MLA
Treasurer

Date: 23.2.10

9/3/200

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY

**2008-09 ANNUAL REPORT HEARING
QUESTION WITHOUT NOTICE TAKEN ON NOTICE
18 February 2010**



Mr Rattenbury- Asked the Treasurer upon Notice:

It is my understanding, ministers, that on 24 August 2009 cabinet discussed the increases in the project cost. Are you able to confirm that and give us an overview of what cabinet discussed at that stage?

Ms Gallagher: I would have to go back and have a look at the minutes of the cabinet meeting. I am very happy to do so. I understand from our own records that that is the case. We have discussed the enlarged Cotter Dam a number of times in cabinet over the last few years. As to the specific nature of that discussion, I will have to review the cabinet minutes. Again, it being 24 August, I imagine it would have been a discussion focused on cost.

MR RATTENBURY: I am interested in the fact that just two days later Minister Barr called in the Cotter Dam. Would cabinet have taken a decision for Minister Barr to call that project in before it became public—the new cost figure?

Ms Gallagher: I would say no to that, definitely. The call-in is a completely separate matter and was not part of the cabinet's consideration around costs. It just was not.

Mr Corbell: The call-in of any project is the exercise of the minister's statutory powers under the act. They must be exercised independent of any cabinet process, and they always are.

MR RATTENBURY: Mr Barr would have been at that cabinet discussion on the 24th, I presume?

Ms Gallagher: Again, we will have to check. He usually attends cabinet meetings.

<http://www.hansard.act.gov.au/hansard/2009/comms/public23.pdf>

Treasurer - The answer to the Member's question is as follows:

It would be inappropriate for me to comment on Cabinet deliberations to the Assembly.

There are longstanding conventions in all jurisdictions reinforcing strict Cabinet confidentiality.

As set out in the Cabinet Handbook, all ministers are bound by Cabinet decisions whether or not they are present when Cabinet makes its decision, and regardless of the position they may have adopted while Cabinet was reaching its decision.

Approved for circulation to the Member and incorporation into Hansard.


Katy Gallagher MLA
Treasurer

Date:.....2/3/10.....



Authorised for Publication

4/3/2010

Simon Corbell MLA

ATTORNEY GENERAL

MINISTER FOR THE ENVIRONMENT, CLIMATE CHANGE AND WATER

MINISTER FOR POLICE AND EMERGENCY SERVICES

MINISTER FOR ENERGY

MEMBER FOR MOLONGLO



Ms Caroline Le Couteur MLA
Chair
Standing Committee on Public Accounts
ACT Legislative Assembly
CANBERRA ACT 2601

Dear Ms Le Couteur

On Thursday 18 February 2010, I appeared before the Standing Committee on Public Accounts Inquiry into the Annual Report 2008-09 of ACTEW Corporation. During the hearing, I provided context around the Chief Executive's Water Group, which I believed now was chaired by my Chief Executive (page 244 of the proof transcript of evidence).

The Chief Executive's Water Group is still chaired by the Chief Executive of Chief Minister's Department. I apologise for this mistake.

As Minister for Environment, Climate Change and Water, I am working with relevant agencies to provide you with answers to questions taken on notice throughout the hearing and expect them to be with you shortly.

Yours sincerely

Simon Corbell MLA
Minister for Environment, Climate Change and Water

2-3-10

ACT LEGISLATIVE ASSEMBLY

London Circuit, Canberra ACT 2601 GPO Box 1020, Canberra ACT 2601

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2008-09 ANNUAL REPORT HEARING
QUESTION WITHOUT NOTICE TAKEN ON NOTICE
18 February 2010
ACTEW**



Question: Was the Chief Executives' Water Group alerted to the information that came to the government around 14 July, and were any activities undertaken by the Chief Executives' Water Group as a result of that?

Response: The Chief Executives' Water Group received an update about the implementation of the water security projects, including the revised project costs, at their meeting of 17 September 2009. The Group noted this update. At this time, it was not necessary for the Group to take any additional action as the information, including independent assessment by Deloitte, was provided to Cabinet earlier on 31st August 2009.

15/3/2010

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY

**2008-09 ANNUAL REPORT HEARING
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18 February 2010

(pg 244 – 245)



Mr Smyth- Asked the Treasurer upon Notice:

MR RATTENBURY: When we discussed this last year—I think it was in our briefing at Actew House—we talked about the limits on the Tantangara transfer. I seem to recall Actew saying that there was a 10-gigalitre cap on transferring water from Tantangara. Can you go through why that is, or have I misunderstood it?

Mr Sullivan: Our recommendation to government was that we felt 10 gigalitres was the extent of the transfer capability. Partly linked to that is the capability of the pipeline. It was partly to do with storage requirements at Tantangara and the commercial arrangements around release that we basically came to a view that 10 gigalitres was about the optimum level of water that we could commercially release from Tantangara and achieve transfer. We have to achieve transfer. It would be lovely for the river system but not too commercial if we did not achieve transfer of the water. It is our decision. I think the minister has summed it up very well. I can give you more material on this. We have consistently said to government that you really need a combination of Cotter, Murrumbidgee to Googong and an external source—and two external sources advised to government earlier were water purification or Tantangara. We recommended later that Tantangara was progressing and appeared to us to be a better proposal on economic and other grounds than water purification as the external source.

Therefore, we have defined the three arms of the water security as being the dam, the Murrumbidgee to Googong transfer and Tantangara. We do not believe that we can achieve water security against the criteria that we have taken from the government, which includes its demand reduction goals, a variety of population scenarios—which we have been asked to look at—and the CSIRO climate change predictions, amongst other things, without all three. That is why we have always argued that they have to be seen as a suite. We only have one at the moment which is being implemented, with full approvals. If we lose any of them we will have to rethink our advice to government about how to achieve water security.

Treasurer - The answer to the Member's question is as follows:

The Tantangara Transfer involves transferring approximately 10 gigalitres of water from the regulated Murrumbidgee River to the ACT via the Snowy Mountains Scheme.

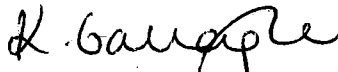
This would involve:

1. Buying NSW water entitlements from Murrumbidgee River irrigators downstream of the ACT;

2. Agreeing on commercial arrangements with Snowy Hydro Limited for the storage and release of water from Tantangara Reservoir;
3. Putting in place arrangements between the NSW and ACT Governments to allow for transfer of water from NSW to the ACT; and the
4. Delivery of water to the ACT via the Upper Murrumbidgee River.

To physically transfer the water from Tantangara to the ACT, the water will be released into the Murrumbidgee River; it would then be captured by either the new pump stations at Angle Crossing or at the existing pumps near the confluence with the Cotter and pumped to Googong Reservoir via the proposed pipeline.

Approved for circulation to the Member and incorporation into Hansard.

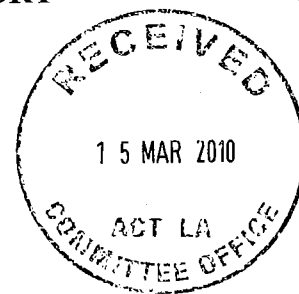


**Katy Gallagher MLA
Treasurer**

Date: 12.3.10

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY

**2008-09 ANNUAL REPORT HEARING
QUESTION WITHOUT NOTICE TAKEN ON NOTICE
18 February 2010
(pg 249)**



Ms Le Couteur- Asked the Treasurer upon Notice:

THE CHAIR: You were talking about the modelling you have done about security of supply. You mentioned population. What populations are you assuming for the security of supply and for how long do you think Canberra will have security of supply if the projects you are talking about all go ahead?

Mr Sullivan: Again, I will take this on notice, but basically we are not a determiner of population.

THE CHAIR: No, I appreciate that.

Mr Sullivan: Basically, we are using the Bureau of Statistics population—I forget what form the study was in.

Mr Corbell: The territory relies on the analysis conducted by the ABS. From my recollection, there are three growth scenarios. There is a low, a medium and a high growth scenario. They are factored in over a period of somewhere between 25 and 50 years, and you make some assumptions around that. The ABS has that data; the Chief Minister's Department also does a range of demographic work, supported by Treasury, to refine that. So there are some assumptions around population growth. I am happy to provide those to you. I do not have those immediately to hand but we can provide those to you.

THE CHAIR: And you are going to provide to the committee—

Mr Sullivan: Yes. I think the minister has got it right. In our planning processes, we attempt to accommodate in our water security modelling the top estimates. Off the top of my head, it is something like 550,000 in 2030 or 2035

Treasurer - The answer to the Member's question is as follows:

I am advised that detailed population projections for Canberra and Queanbeyan, consistent with the numbers quoted in the Spatial Plan (projected as 430,000 by 2032 with moderate growth and 500,000 with high growth) were used for the modelling in the Future Water Options study (2005) and form the basis of estimates to support the Water Security Major Projects.

ACTEW's "Future Water Options Review" report of July 2007, lists the population which can be served by various options, and the year an augmentation might be required. The numbers in the table (copy attached) are based on the assumptions inherent in the report, namely:

- there will be a 25 per cent reduction in demand;
- that the climate will be the “2030 climate” used in the report (average inflow 123 GL/year);
- that a new supply will be required when, on average, the chances of Stage 1 or higher restrictions is 5 per cent or 0.5 per cent for Stage 4 (whichever is greatest);
- the Tantangara option performs as modelled in the report; and
- various other assumptions listed in the report (eg. Googong inflows, bushfire yield reduction etc).

With all of these assumptions, a new water supply would not be required until 2052. However, we already know that the average of the last four years inflows is 53.5 GL/year, or 43 per cent of what was assumed (on average) in the 2007 report. Hence, unless inflows recover significantly, more work may be required before the estimated 2052 date.

Approved for circulation to the Member and incorporation into Hansard.

K. Gallagher

Katy Gallagher MLA
Treasurer

Date:.....12.3.10.....

Table 6-4: Combined options - ranked by average household bill

Ref	Option	Probability of Restrictions		Net Economic Benefit (2007 \$ millions)	Cost Increases Average Household Water Bill (2007 \$ /yr)
		Stage 1 or higher (%)	Stage 4 (%)		
2	Enlarged Cotter (78 GL by 2011)	★★★ 7.3	★★★ 1.4	★★★★ 401	★★★★ \$71
13	Enlarged Cotter Dam + increase pump MR to Stromlo (150 ML/d)	★★★★★ 2.7	★★★★★ 0.4	★★★★ 428	★★★★ \$87
14	Enlarged Cotter Dam + pump MR to Googong (150 ML/d)	★★★★★ 3.4	★★★★ 0.6	★★★★ 419	★★★★ \$100
16	Enlarged Cotter Dam + increase pump MR to Googong (90 ML/d) + Tantangara	★★★★★ 2.5	★★★★★ 0.2	★★★ 387	★★★ \$104
15	Enlarged Cotter Dam + increase pump MR to Stromlo (150 ML/d) + Tantangara	★★★★★ 1.0	★★★★★ 0.0	★★★ 391	★★★ \$107
12	Enlarged Cotter Dam + NPR	★★★★ 5.8	★★★★ 1.0	★★★ 293	★★★ \$124
10	Enlarged Cotter Dam + 25 ML/d WPP	★★★★★ 4.7	★★★ 0.7	★★ 258	★★ \$155
11	Enlarged Cotter Dam + 50 ML/d WPP	★★★★★ 4.1	★★★★★ 0.3	★★ 167	★★ \$169
17	Enlarged Cotter Dam + increase pump MR to Googong (150 ML/day) + Tantangara + WPP (50 ML/d)	★★★★★ 1.5	★★★★★ 0.1	★ 59	★★ \$182

6.5 How much extra yield?

The expected yields of each option combination are shown in Table 6-56-5 below. The yields are based on 5% maximum probability of Stage 1 Water Restrictions or higher and 0.5% time in Stage 4 Water Restrictions. Also shown is the expected maximum service population and the approximate year further supply augmentation would be required under the average 2030 climate assumptions.

Table 6-5: Combined options - ranked by yield

Ref	Option	Yield (GL)	Maximum Service Population	Augmentation Required
2	Enlarged Cotter (78 GL by 2011)	72	510,000	2029
16	Enlarged Cotter Dam + increase pump MR to Googong (90 ML/d) + Tantangara	85	594,000	2052
15	Enlarged Cotter Dam + increase pump MR to Stromlo (150 ML/d) + Tantangara	81	567,000	2043
13	Enlarged Cotter Dam + increase pump MR to Stromlo (150 ML/d)	79	556,000	2039
14	Enlarged Cotter Dam + pump MR to Googong (150 ML/d)	79	544,000	2037
10	Enlarged Cotter Dam + 25 ML/d WPP	76	530,000	2033
11	Enlarged Cotter Dam + 50 ML/d WPP	74	520,000	2031
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Note: the inconsistency between the expected yields of the two WPPs is due to optimising model operating rules to avoid Stage 4 Water Restrictions before the avoidance of Stage 1 Water Restrictions. In this case, the larger WPP incurs a higher probability of Stage 1 Water Restrictions to minimise the probability of Stage 4 Water Restrictions; as yield is based on the LOS of both levels of restrictions this results in a lower yield figure. This abnormality again emphasises the limitation of using yield in isolation to compare options.

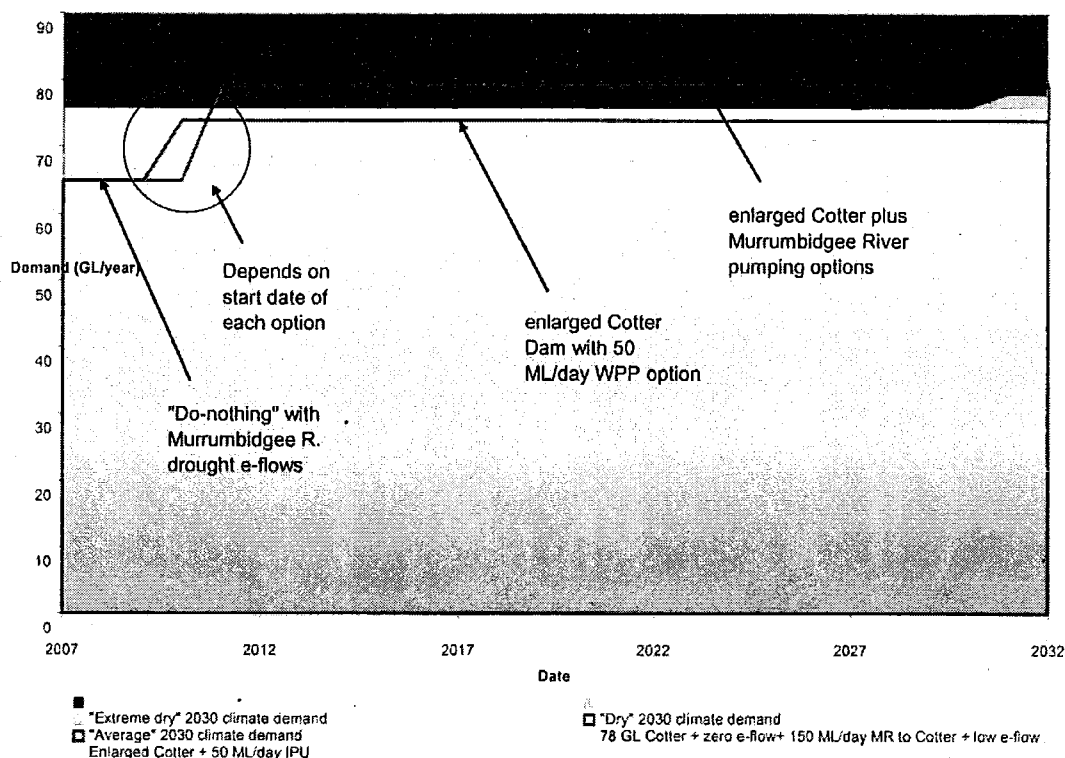


Figure 6-6: Combined options - yield vs. demand

The scale of the respective yields of the Murrumbidgee River pumping and WPP options in comparison to the demand projections of Section 4.2 are shown in Figure 6-6. This also shows that the large WPP option is less likely to provide sufficient supply to meet the demand expected during times of extreme dry climate.

6.6 Is there enough water in the Murrumbidgee River?

The average annual historic flow in the Murrumbidgee River at Lower Cotter is 418 GL/yr; compared to the average annual inflow into ACT's four dams of 217 GL. During 2006, the Murrumbidgee flow reduced to 32 GL; compared to a 28 GL four dam inflow.

4/3/2010

MINISTER FOR THE ENVIRONMENT FOR THE AUSTRALIAN CAPITAL
TERRITORY

2008-09 ANNUAL REPORT HEARING
QUESTION WITHOUT NOTICE TAKEN ON NOTICE
18 February 2010



The Chair- Asked the Minister upon Notice:

THE CHAIR: You were talking about the modelling you have done about security of supply. You mentioned population. What populations are you assuming for the security of supply and for how long do you think Canberra will have security of supply if the projects you are talking about all go ahead?

Mr Sullivan: Again, I will take this on notice, but basically we are not a determiner of population.

THE CHAIR: No, I appreciate that.

Mr Sullivan: Basically, we are using the Bureau of Statistics population—I forget what form the study was in.

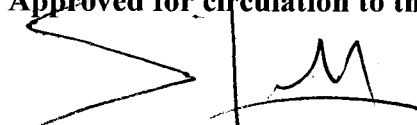
Mr Corbell: The territory relies on the analysis conducted by the ABS. From my recollection, there are three growth scenarios. There is a low, a medium and a high growth scenario. They are factored in over a period of somewhere between 25 and 50 years, and you make some assumptions around that. The ABS has that data; the Chief Minister's Department also does a range of demographic work, supported by Treasury, to refine that. So there are some assumptions around population growth. I am happy to provide those to you. I do not have those immediately to hand but we can provide those to you.

Minister - The answer to the Member's question is as follows:

The *ACT Population Projections 2007 to 2056*, published by the Chief Ministers Department is at Attachment A.

Population forecast data is also available at the Australian Bureau of Statistics web site at: <http://www.abs.gov.au/Ausstats/abs@.nsf/mf/3101.0>

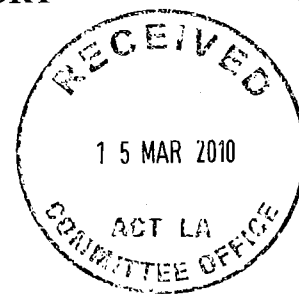
Approved for circulation to the Member and incorporation into Hansard.


Simon Corbell MLA
Minister for the Environment

Date: 2-3-10

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY

**2008-09 ANNUAL REPORT HEARING
QUESTION WITHOUT NOTICE TAKEN ON NOTICE
18 February 2010
(pg 249)**



Ms Le Couteur- Asked the Treasurer upon Notice:

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Treasurer - The answer to the Member's question is as follows:

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Treasurer

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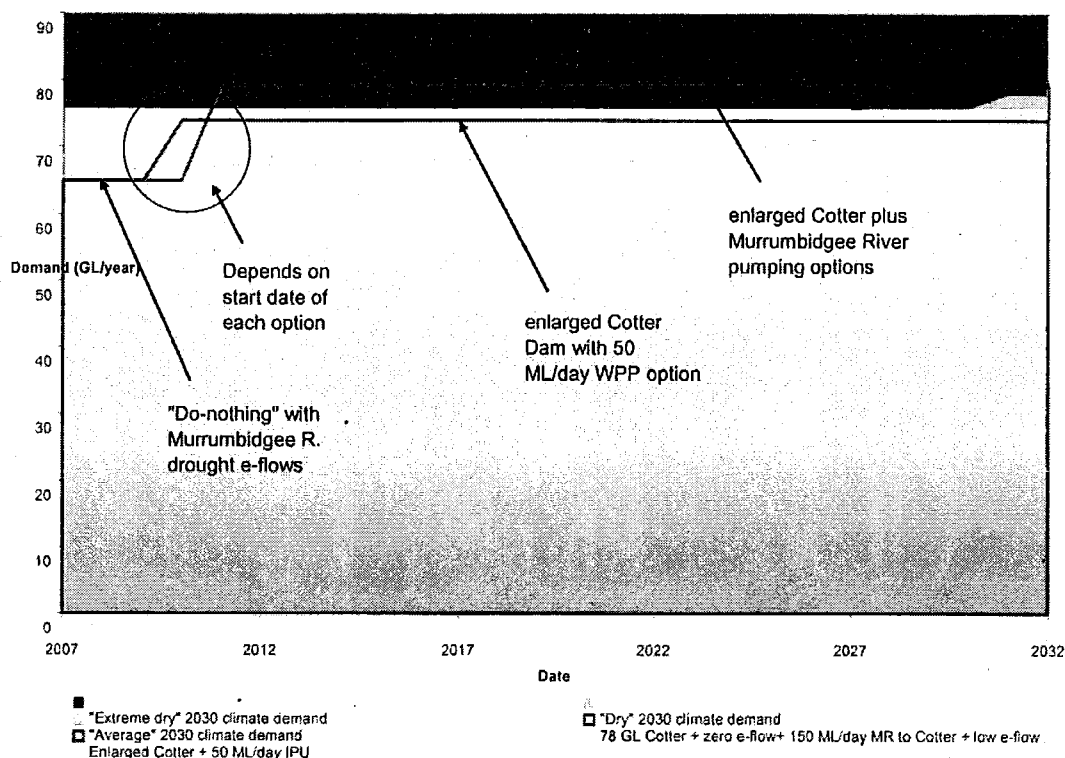


Figure 6-6: Combined options - yield vs. demand

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6.6 Is there enough water in the Murrumbidgee River?

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22/3/2010

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY

**2008-09 ANNUAL REPORT HEARING
QUESTION WITHOUT NOTICE TAKEN ON NOTICE**

18 February 2010

(pg 250)



Mrs Dunne- Asked the Treasurer upon Notice:

MRS DUNNE: Mr Sullivan, have any landholders been told by ACTEW that their easement may be wider than the originally touted 15 metres?

Mr Sullivan: Not that I am aware of.

MRS DUNNE: Can you check?

Mr Sullivan: Do you have a specific incident? That makes it easier to check. You can tell me privately, if you like, but if there is a specific incident—

MRS DUNNE: I would like a general answer but—

Mr Sullivan: I will get a general answer but if you could tell me privately, if there is a particular incident that makes it simpler. No, we have not altered our view on the size of easement required.

Treasurer - The answer to the Member's question is as follows:

I am advised that ACTEW has been issued with a licence under the *NSW Pipelines Act 1967* to construct the Murrumbidgee to Googong Pipeline. ACTEW is seeking voluntary construction access and granting of a 15m wide easement over the pipeline.

The legislation provides for compulsory acquisition in the event of a landholder refusing to grant an easement. If that occurs a 40m wide easement will be taken. The NSW Department of Water was requested to issue notices of compulsory acquisition to landowners pursuant to their authority under the Pipelines Act. This is a matter for the NSW Department of Water.

Approved for circulation to the Member and incorporation into Hansard.


Katy Gallagher MLA
Treasurer

Date:.....17.3.10.....

15/3/2010

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY

**2008-09 ANNUAL REPORT HEARING
QUESTION WITHOUT NOTICE TAKEN ON NOTICE
18 February 2010
(pg 250)**



Mrs Dunne- Asked the Treasurer upon Notice:

MRS DUNNE: In addition to the fairly obvious limitation on building on top of the easement, are there conditions that would prohibit the movement of equipment across the easement?

Mr Sullivan: Most equipment that is used on a farm would not be limited. Tractors and things like that are not limited in moving across the easement. You are talking about very heavy equipment. I am quite happy to get a generic list of easement requirements for you.

MRS DUNNE: Thank you

Treasurer - The answer to the Member's question is as follows:

I am advised that the easement that was presented to landowners contained the following restrictive covenants at clause 5:

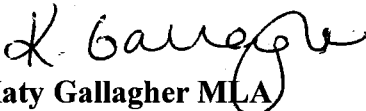
- a) The Grantor must maintain the Easement Area in a way which does not prevent vehicular access to the Equipment.
- b) The Grantor must not interfere with the rights of the Grantee under this deed.
- c) The Grantor must not remove, damage or interfere with Equipment.
- d) The Grantor must not erect any structure within the Easement Area, nor plant trees or shrubs or construct fences which have a potential to damage the Equipment or obscure access to the Equipment, without the Grantee's prior written consent.
- e) The Grantor must not introduce Heavy Loads onto, nor make changes to land levels (topography of the land) within, the Easement Area without the prior written consent of the Grantee.

Where the consent of the Grantee is required under this clause, such consent is not to be unreasonably withheld or delayed.

Clause 5 (e) provides that the introduction of heavy loads is prohibited without prior written consent.

A heavy load is defined in the easement as no heavier than W7 loading as in accordance with Ausroads Standards (2005). This means that any vehicle that can travel on a public road can be driven over the easement.

Approved for circulation to the Member and incorporation into Hansard.


Katy Gallagher MLA
Treasurer

Date:...12.3.10.....

MINISTER FOR THE ENVIRONMENT FOR THE AUSTRALIAN CAPITAL
TERRITORY



2008-09 ANNUAL REPORT HEARING
QUESTION WITHOUT NOTICE TAKEN ON NOTICE

Briefing Timeline Enlarged Cotter Dam and Water Security Projects
18 February 2010

MR SESELJA: Could you provide the committee with a time line of the advice you received, the briefings you received, on the dam project and water security projects?

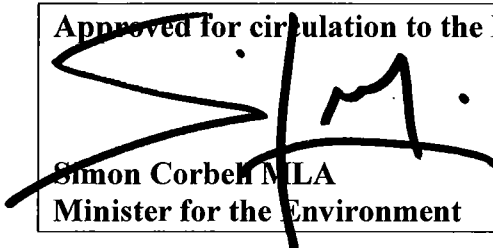
Mr Corbell: As I have indicated, this was an iterative process. Many of these briefings were verbal in nature. If there is a record of those, I am happy to check those records and see if I can provide you with any further advice.

p. 253

Minister - The answers to the Member's questions are as follows:

Scheduled and unscheduled meetings and telephone discussions were held between myself, the Department of Environment, Climate Change, Energy and Water and ACTEW.

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Simon Corbell MLA
Minister for the Environment

9.3.10
Date:.....

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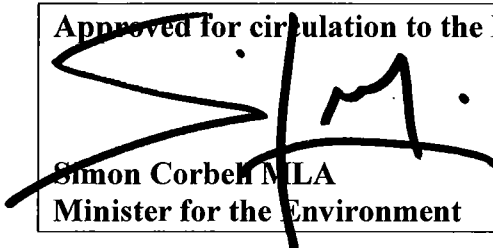
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