

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2023–24 Budget Estimates

Melbourne – Thursday 8 June 2023

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Paul Hamer

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Ellen Sandell

WITNESSES

Ms Lily D'Ambrosio MP, Minister for the State Electricity Commission,

Mr John Bradley, Secretary,

Mr Chris Miller, Interim Chief Executive Officer, State Electricity Commission of Victoria,

Ms Bronwyn Di Carlo, Executive Director, Finance, and

Dr Graeme Emonson, Deputy Secretary, Corporate Finance, Department of Energy, Environment and Climate Action.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2023–24 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream and other committee members.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome the Minister for the State Electricity Commission the Honourable Lily D'Ambrosio and department officials from the Department of Energy, Environment and Climate Action. Minister, I am going to invite you to make an opening statement or presentation of no more than 5 minutes. This will be followed by questions from the committee. Your time starts now.

Visual presentation.

Lily D'AMBROSIO: Thank you very much, Chair. I will obviously stick within the 5 minutes. It is a great pleasure for me to make a short presentation about the government's agenda to bring back the State Electricity Commission. It will accelerate the energy transition. It will certainly lead to more rapid development of renewable energy, driving down our emissions and putting downward pressure on bills and helping to create thousands of jobs also in Victoria.

If we go to the second slide, the SEC will do this through being an active energy market participant, working with industry to invest in and speed up the delivery of renewable energy. Working with industry will help to create and contribute to 59,000 jobs in renewable energy, in solar, in wind, in storage and in emerging energy solutions. Our government is investing in training and skills and generating the renewable energy workforce of the future. Of course there is a lot of investment in this across a range of portfolios, all about bringing back the SEC and having a workforce that is ready and able to take advantage of the job opportunities that will be available.

The next slide gives us a bit of a wider context of the renewable energy transition in Victoria. We have got a very, very ambitious target of achieving 95 per cent renewable electricity by 2035 and bringing forward our emission reduction target of net zero from 2050 to 2045. That is being basically one of the world leaders in that. This slide helps to highlight some of Victoria's energy transition, which will be supercharged by the SEC.

The next slide gives you some of the highlights of what we have been able to achieve thus far, and we have not wasted a minute in bringing back the SEC, with of course the appointment of an interim CEO for the SEC, Chris Miller, who is here with us today, who runs the implementation office. The SEC has been declared as a reorganising body under the *State Owned Enterprises Act*. We have established a highly credentialed expert

advisory panel and we have released the SEC pioneer investment mandate to ensure that we can announce the first project by the end of this year. Later this month we will be holding the SEC energy jobs and skills forum, which will help to inform the Victorian energy jobs plan that will map out, attract, train and retain a new generation of renewable energy workers.

The next slide talks about the budget's \$1 billion initial equity investment to deliver 4.5 gigawatts of new power generation, and that is the equivalent replacement capacity of AGL's Loy Yang A, through renewable energy and storage projects. There is \$44.5 million allocated to re-establish the SEC, including activities and set-up of the entity. \$12 million has also been allocated for the development of a business case for the SEC Centre of Training Excellence, new VET certificates in renewable energy and of course developing the Victorian energy jobs plan. It is estimated that transitioning Victoria's energy system will increase gross state product by \$9.5 billion.

I will move quickly because I know the clock is ticking, but the next slide talks about the importance of a skilled workforce for the transition, working together with other agencies, industry and the training sector. I think the forum will be an important contributor to the development of both the Victorian energy jobs plan and the business case for the SEC centre of training excellence. A number of ministers will be there with me, because of course this is a big job that is ahead of us, but we have wasted no time in already taking some really big steps towards bringing back the SEC. That will turbocharge our renewable energy development and contribute significantly to the creation of those 59,000 jobs, including 6000 apprentices and trainees, as we go. Thank you.

The CHAIR: Thank you, Minister. Right on time. Mr O'Brien, you have the first 7 minutes.

Danny O'BRIEN: Thank you, Chair, and good morning again, Minister. Minister, you have repeatedly talked about 59,000 jobs by 2035. We asked this question to the skills department the other day: what is the source of that claim?

Lily D'AMBROSIO: Yes, sure. I can tell you that there are a couple of reports that have been prepared to inform our commitment to deliver 95 per cent renewable electricity by 2035. The reports that have been produced are available, if you would like to see them at some point, on the DEECA website.

Danny O'BRIEN: On the what website sorry? On the DEECA website?

Lily D'AMBROSIO: Yes, that is right. I will give you the names of them just to make it easier for you.

Danny O'BRIEN: That would be great.

Lily D'AMBROSIO: We have got the *Victorian Electricity Sector Renewable Energy Transition: Economic Impacts Modelling* in the same heading, and the second report, energy market modelling, and that has made it clear that we will be creating more than 59,000 jobs by achieving our 95 per cent renewable electricity target by 2035.

Danny O'BRIEN: When was that report released?

Lily D'AMBROSIO: It has been available I think for some time on the website. I am not sure if the department has the answer, but I am happy to take that on notice if you like.

John BRADLEY: Mid 2022.

Lily D'AMBROSIO: Mid 2022, the middle of last year.

Danny O'BRIEN: Mid 2022, okay. The SEC policy was only announced obviously in October. Will all those 59,000 jobs be created by the SEC?

Lily D'AMBROSIO: We have always been very clear about this, that the 59,000 jobs is about what will be created by setting a target and achieving our target of creating 95 per cent renewable electricity by 2035. The SEC will help to deliver a part of that, absolutely, and it will be an important part because it will be about accelerating the creation of projects earlier and being a market participant to help produce demand for those jobs.

Danny O'BRIEN: So by 2035, the SEC will not employ 59,000 people?

Lily D'AMBROSIO: It was never intended to –

Danny O'BRIEN: That is not really what the government said through the election campaign.

Lily D'AMBROSIO: No, that is –

Danny O'BRIEN: 'We are bringing back the SEC to create 59,000 jobs.'

Lily D'AMBROSIO: It will help to create 59,000 jobs, including 6000 apprenticeships and traineeships. It will be a major contributor to that – 4.5 gigawatts of new generation and/or storage to contribute by 2035.

Danny O'BRIEN: Okay. Can I ask Mr Miller some questions. Mr Miller, the pioneer mandate released for the SEC, so for the first investment, has various project criteria but it says nothing about ownership. Will the SEC co-invest with foreign companies?

Chris MILLER: Thanks very much for the question, Mr O'Brien. As you have pointed out, the pioneer investment mandate does outline a number of criteria for the projects that we are searching for. The SEC itself will be 100 per cent government owned, but it will take a project-by-project, case-by-case approach to determining exactly what the shareholding structure is and what the ownership structure is for each project.

Danny O'BRIEN: There is no preclusion in the criteria for going forward and including in the pioneer mandate for foreign companies to be involved in co-investment?

Chris MILLER: No, there is no preclusion.

Danny O'BRIEN: Okay. What ownership share will there be for the SEC in this pioneer mandate in particular?

Chris MILLER: One of the things we actually want to establish through the mandate and through the search process is to get feedback from the market on exactly what value the SEC can bring to those projects. As the minister has said, a key focus for us will be ensuring that our investment activities bring forward projects or potentially even enable projects to occur and go forward that might not otherwise have gone forward. We will be very open minded about exactly what the ownership structure, what the investment profile, looks like for SEC major projects.

Danny O'BRIEN: Okay. On a project-by-project basis, though, will it be 51 per cent majority SEC owned?

Chris MILLER: We are not intending to be as prescriptive as that.

Danny O'BRIEN: What is the expected rate of return that the SEC will be seeking?

Chris MILLER: One of the government's commitments in relation to the SEC has been that it generates returns – that it generates sustainable returns. We are at the moment working through the strategy for the SEC. It will talk to the details of how the SEC participates in the market and what the success measures for the SEC might be, and it will address, Mr O'Brien, those questions around the target rates for return that might apply. The SEC is going to be investing and participating in a whole range of different activities, so I would expect those target rates – those success measures – to differ depending on what particular activity we are talking about.

Danny O'BRIEN: Is there an overall rate? I am sure Treasury will be interested to know. They are putting in a billion dollars of capital. Is there an overall rate that Treasury or the department has set for the SEC's returns, full stop?

Chris MILLER: We are working pretty closely with Treasury to define those success measures that apply, including questions around rates of return.

Danny O'BRIEN: So it has not been set as yet.

Chris MILLER: All of those matters are really under government consideration currently.

Danny O'BRIEN: Okay. As the minister indicated, page 39 shows the billion-dollar first investment. The 2023–24 year has \$600 million allocated for investment. Probably the first question, Mr Miller, is: for the pioneer mandate on schedule, the time line indicated here is that from mid-June 2023 onwards – so now – you will be assessing proposals to develop a shortlist of opportunities and then making recommendations to government. Is that on track at the moment?

Chris MILLER: Mr O'Brien, yes, the program is on schedule. We have just completed the first stage of the process, which is a registration of interest process where we have invited the market to provide some pretty high-level details around projects.

Danny O'BRIEN: Can I ask how many projects have expressed interest?

Chris MILLER: Look, the number of responses that have come in, as you would understand, Mr O'Brien, is commercial-in-confidence. I really do not want to do anything today –

Danny O'BRIEN: Saying there are 50 or 500 – how does that impact anyone on a commercial-in-confidence basis?

Chris MILLER: Mr O'Brien, I think the –

A member interjected.

The CHAIR: Mr O'Brien, Mr Miller has just said he does not want to do anything to impact the process –

Danny O'BRIEN: And I have asked a follow-up question. What is wrong with the question?

The CHAIR: He said it is commercial-in-confidence. I think he has answered your question.

Nicholas McGOWAN: On a point of order, Chair, the member is absolutely entitled to ask a follow-up question, even if it is the same question.

Danny O'BRIEN: On the point of order, Chair –

The CHAIR: Your time is up, Mr O'Brien.

Danny O'BRIEN: No, sorry; there is a point of order at foot, Chair. You actually have to give us time –

The CHAIR: On the point of order, Mr O'Brien.

Danny O'BRIEN: On the point of order, with respect to the Deputy Chair, it actually was not the same question.

Nicholas McGOWAN: No, it was not. That was my point. But even if it was –

Danny O'BRIEN: The original question was: how many did we have? We were told 'commercial-in-confidence'. My follow-up question was: why is it commercial-in-confidence when there is no commercial information in that question at all? It is entirely reasonable for me to ask that follow-up question. I do not see how you could possibly rule it out.

The CHAIR: I have ruled out that question, Mr O'Brien, and your time is up.

Danny O'BRIEN: You actually have to say on what basis, Chair. You cannot just say, 'I rule it out because I don't like it.'

The CHAIR: On the basis that the witness has answered your question – it is commercial-in-confidence, and badgering the witness to go ahead and divulge the information –

Danny O'BRIEN: No, it was not badgering, asking him to explain why it is commercial-in-confidence and how many expressions of interest we have had.

The CHAIR: Mr O'Brien, I have ruled on the point of order. Your time is up.

Nicholas McGOWAN: On a point of order –

The CHAIR: Mr Galea.

Nicholas McGOWAN: On a point of order, Chair, we are governed by the standing orders, as you should well know. As my colleague has said, you cannot just make decisions based on some sort of arbitrary, magic-pudding approach. This committee is governed by the standing orders of the Legislative Assembly, as you know. You cannot simply make orders just because it conveniences you to shut the line of questioning down.

The CHAIR: Mr Hilakari, on the point of order.

Nicholas McGowan interjected.

The CHAIR: Mr McGowan, please compose yourself.

Members interjecting.

The CHAIR: Mr McGowan, Mr Hilakari is talking to the point of order.

Mathew HILAKARI: On the point of order, Chair, I am actually unclear what the point of order is. If you could put it succinctly, Mr McGowan.

Nicholas McGOWAN: The point of order was that there was no ruling in the standing orders to make the ruling that you made, Chair.

Mathew HILAKARI: What is your point of order?

Nicholas McGOWAN: The point of order was that the ruling had no place in the standing orders. We are either governed by the standing orders or we have a free-for-all, but as my colleague has already pointed out, the ruling was unlawful according to the standing orders. So there is no ruling, and if Mr O'Brien cannot continue to ask questions of the minister or other officials, then there is no purpose in continuing with the PAEC questions.

The CHAIR: Mr McGowan. Mr Hilakari.

Mathew HILAKARI: I am happy to move on, but my observation was a witness was attempting to answer the question and was interrupted, and that should –

Danny O'BRIEN: By the Chair.

Nicholas McGOWAN: By the Chair.

Danny O'BRIEN: You are right, Mr Hilakari – by the Chair.

Mathew HILAKARI: By yourself, Mr O'Brien. But I am happy to move on.

Nicholas McGOWAN: And yet again it took Mr O'Brien's time and the minister's time and the officials' time, and we were unable to get an answer to the question.

Mathew HILAKARI: I am yet to hear what the point of order is.

The CHAIR: Mr McGowan, on your point of order, there is no point of order. Mr Galea.

Michael GALEA: Thank you, Chair. Morning again, Minister and officials. Minister, I would also like to refer to the same budget paper reference – that is, page 39 of budget paper 3, table 1.10 – referencing again the \$1 billion investment that the government is providing to back in the SEC. Minister, could you please elaborate and expand on what this \$1 billion will be used for?

Lily D'AMBROSIO: Thank you. If I take you back to November of 2022, when the government during the election period made a commitment to bringing back the State Electricity Commission, as part of that commitment we indicated that we would invest at least \$20 million to prepare the SEC for its new role in the

energy market. There would be an initial investment of \$1 billion towards the SEC's delivery of that 4.5 gigawatts of power through renewable energy and storage projects. We also indicated there would be \$12 million for a business case for the SEC Centre of Training Excellence to develop new renewable energy VET certificates and to develop the Victorian energy jobs plan.

The budget delivered the other week delivers on all of these commitments. There is \$44.5 million in funding over two years allocated to prepare the SEC for its new role, and that includes \$20.5 million in this current financial year and \$24 million in the 2023–24 period. The SEC implementation office is leading this important establishment work, and the funding will support key requirements for the implementation office and the new entity, including staff, the retention of key experts and corporate costs. At a future date the government will stand up a commercial entity outside of the departmental structure. And so the initial investment, as I said, goes to those projects to satisfy our 4.5 gigawatt election commitment.

As part of this budget we have allocated, as I said, \$12 million for the business case for the Centre of Training Excellence, and the other important element of course is that we have committed to having 6000 positions for apprentices and trainees.

We will enshrine the SEC in the Victorian constitution, and we are committed to doing that as soon as possible this year. That is about protecting the State Electricity Commission from future sell-offs. That is really important because we know that Victorians are very committed to publicly owned electricity generation, and the SEC will be an important entity for us to protect. This is about making sure that Victorians have a stake in their future. We are going to be seeing the biggest investment and the biggest jobs created and economic development opportunities for Victoria driven by our renewable energy targets. We want to make sure that Victorians have a stake in that – they are entitled to; why shouldn't they? It has been missing for too long – public ownership – and this is about making sure that Victorians reap the full benefits that public ownership can bring, including the training, the skills development, the local content requirements and a whole range of things that add value to our community, not just economically but also of course in the skills and the jobs of the future. We are committed to doing that.

The role of the SEC will also help of course by bringing forward investment in projects and bringing projects forward for creation. That will mean of course that we will get more renewable energy created and new renewable energy into our system sooner, and we know that the more electricity we create, sooner, means that of course there is more supply of it, and that puts downward pressure on people's bills – and that is really critical. It is a big commitment. It is the equivalent of replacing all of Loy Yang A, and we are going to get on and get that done. This is a new chapter in energy transition, one that Victorians will absolutely have a stake in – for them. We are sick of losing billions of dollars of profits globally to businesses outside of Victorian interests, and we are going to absolutely make sure that the SEC will have returns that will benefit Victorians first and foremost.

Michael GALEA: Thank you, Minister. Thanks, Chair.

The CHAIR: Thank you, Minister. We will now go to Mr O'Brien.

Danny O'BRIEN: Thank you, Chair. Mr Miller, I will continue where I was going, and I will not bother with the commercial-in-confidence – I am sure the minister at some stage will say how many we have got. On the issue, as I said, of the \$600 million investment, when do you expect to break ground on the first project?

Chris MILLER: Mr O'Brien, thanks for the question. One of the elements of the Pioneer Investment Mandate that was released in late April is around – for our first one it might be a couple of investments, targeting projects which are pretty well advanced. We are looking at projects that are using mature, proven technology and that are, if you like, further along the life cycle than earlier along the life cycle, with the intention that we could, through our partnership, bring that proposal through to a final investment decision relatively quickly and move into the construction phase of the project relatively quickly as well. In short, I cannot commit to a date by which construction would commence, but very much the goal is to pursue a project that allows that to occur as soon as possible.

Danny O'BRIEN: So as you said, you are looking for a project that is close to going ahead anyway – and I will maybe come back to that in a moment – but either way, you have got an EOI that is closing now or that has closed –

Chris MILLER: It has closed.

Danny O'BRIEN: and you are making a decision, I think the minister said, by the end of the year. It would be a heroic assumption to suggest that any of the \$600 million would be expended in 2023–24, would it not?

Chris MILLER: It really does depend on the projects that come forward, Mr O'Brien. As I said, it might be that we are progressing a couple of investments, not just one investment. We really are looking for scale with the first couple of investments. We are targeting a project that delivers at least 100 megawatts, but with an openness to a suite of projects that could deliver much more than that. It is not inconceivable that we would be spending in the hundreds of millions of dollars for the first couple of investments.

Danny O'BRIEN: Can I put to you, given what you just said – and this is my understanding of what the mandate is all about – that it is really just going to be the government investing in a project that was going to happen anyway.

Chris MILLER: Thanks again for the question. It is one that has occupied our minds a lot, which is why we have designed the mandate in the way that we have. It is very much about surfacing projects and proposals that can benefit from co-investment with the SEC. One of the explicit criteria we are looking for, as outlined in the mandate, is what additional value the SEC can bring. Proponents explain to us how the SEC's participation can bring forward an investment which might have otherwise taken longer or potentially facilitate an investment which might not have happened at all. It is going to be a key criteria.

Danny O'BRIEN: So on that, and this is probably a policy and political question, so I will put it to the minister, what processes will you have in place, Minister, to ensure that you are not just investing in projects that (a) would have happened anyway or (b) are not commercial enough to happen without the taxpayer taking a risk on them?

Lily D'AMBROSIO: We have been really clear – and thank you for the question – about what the objectives are, and there are a number of objectives. One of course is to bring forward financial decisions to be made for investment in projects. We also of course want to make sure that Victorians have a stake in new energy that is built.

Danny O'BRIEN: But why do they need to if things were going to happen anyway?

Lily D'AMBROSIO: We need to also understand that we are very committed to moving quickly on this, and that is why we do have a pioneer investment mandate. We are also working on and will release in due course our ongoing – 'enduring' I think we are calling it – investment mandate for all future projects once the entity is established. This is absolutely no doubt about bringing forward projects that may otherwise be later in their delivery or indeed not happen at all. You need to understand that we have got a couple of different mandates and approaches to this. The pioneer investment mandate is really critical for us to get these projects happening quickly, and of course we will have more to say on how the enduring investment mandate looks as we are ready to release that.

Danny O'BRIEN: To bring things forward quickly – is that only in the sense of capital investment raising, or will you actually be changing rules for the SEC investment so they do not have to go through the same environmental and other planning approvals that everyone else does?

Lily D'AMBROSIO: No, this is not about avoiding normal planning rules or EESs. The SEC, as I said, is about helping to accelerate the creation of renewables and making sure that Victorians have a stake and ownership in power.

Danny O'BRIEN: Consistent with the budget paper, then, will the government have started construction on its first generation project by the end of 2023–24?

Lily D'AMBROSIO: We are seeking from the market projects that are able to be built sooner rather than later, and therefore we are anticipating projects that are able to be completed in a reasonable period of time that aligns with budget expectations.

Danny O'BRIEN: Okay. Minister, you have given the impression to the people of Victoria that you are bringing back the SEC as it was, as in, 'We own everything. It's government ownership.' What percentage of Victorian generation do you expect the SEC to own by 2035?

Lily D'AMBROSIO: There is a significant amount of new energy generation and storage that needs to be built to achieve our targets. It is not just the 95 per cent renewables target, but it is also the energy storage.

Danny O'BRIEN: I am happy to take out '2035' –

Lily D'AMBROSIO: No, I am happy to answer.

Danny O'BRIEN: If you want to give me your intention in the future, that is fine. What sort of percentage are we talking about?

Lily D'AMBROSIO: I am happy to answer that. When we take collectively all of the new build that we need to see across small- and large-scale renewable energy production and storage, we are looking at around about 25 gigawatts of new build between now and 2035. We have committed of course –

Danny O'BRIEN: How much will the SEC be involved in that?

Lily D'AMBROSIO: You can calculate that. The SEC, we have made our commitment, would create 4.5 gigawatts of new –

Danny O'BRIEN: That is by 2035?

Lily D'AMBROSIO: By 2035.

Danny O'BRIEN: Yes. So you will be, like, a fifth of the new generation?

Lily D'AMBROSIO: That is the new build, yes.

Danny O'BRIEN: Right. So not even close to dominating the landscape – literally a fifth. How is that going to make any difference to prices going forward?

Lily D'AMBROSIO: It will make a lot of difference because the fact is that we cannot do any of this alone. The fact is – and I have been very clear to –

The CHAIR: Apologies, Minister. We are going to go to Ms Kathage.

Lauren KATHAGE: Thank you, Chair. Minister, budget paper 3, page 39, still on the SEC, sets out the investment there of a billion. I just wanted to ask about how the SEC is going to contribute to our renewable energy and emissions reduction target.

Lily D'AMBROSIO: Yes, thank you. There are a number of good reasons for us bringing back the SEC, but one of them of course is to help to accelerate the creation of renewable energy for Victoria. By doing that, we are making clear that not only will we be able to achieve our renewable energy targets of 65 per cent by 2030 – we have upped that from 50 to 65 and then to 95 per cent by 2035 – but it will actually be an important contributor to reducing our emissions to meet our 2030 targets of halving emissions. It is a 45 to 50 per cent reduction by 2030, and then of course 2035 is 75 to 80 per cent. We know that Victorians contributing in this way is also about us showing leadership as a government on behalf of the Victorian community. We are prepared to also invest in the transition and invest in the effort that is needed to reduce our emissions and achieve those targets – world-leading targets, ones that have certainly led the country, targets that we have already met. And of course the future ones will also be met. But we also need to appreciate that as we do that, as we push forward and drive that momentum, we are also helping the economy in a broader sense with the decarbonisation effort. With these targets the Victorian economy will be decarbonising at one of the fastest rates of anywhere in the world, and as we do that we are also creating thousands and thousands of jobs. Just alone in renewable electricity there will be 59,000 jobs between now and 2035.

We have already cut our emissions by 29.8 per cent from 2005 levels, and since 2014 we have cut emissions by more than any other state. For a state that has relied heavily on a very emissions-intensive fuel, brown coal, and

of course given our heavy reliance on fossil gas, that is no mean feat. I say that not to trumpet us; it is about the nature of the challenge and actually putting meaning behind any aspirations that you set. Doing the hard work is what has to come with setting ambition, so it is something that we are absolutely mindful of – that we cannot waste a day, we cannot waste a month and we cannot waste a year on meeting these targets.

I am really pleased that the SEC will be helping to accelerate the creation of renewable electricity and helping of course bring forward projects. As I said earlier, it is one of the reasons why we have been so keen to move quickly in establishing our pioneer investment mandate and of course getting the best minds together as an advisory panel – the best minds in the world, I would say, certainly when it comes to energy transition – to be able to give us that really important advice so that we get this right and we extract the maximum opportunities for our state and deliver what we said we would do. 4.5 gigawatts of renewable energy generation – we know of course we need to back renewable electricity. Zero-emission technologies are really critical, because the clock is ticking globally in terms of reducing our emissions. That is why we have committed the SEC to only invest in 100 per cent renewable energy projects. That again is about being ambitious. It is about being clear eyed and having the tangible settings and programs in place to ensure that we can get to our emissions reduction targets. Investing in anything other than renewables is not an option for the SEC. It cannot be an option and it will not be an option. Again, it is about meeting that ambition and understanding that when we back ourselves through government leadership, we are also sending a clear signal to the rest of the market, to the rest of the economy, that we will put our money where our mouth is, we will achieve and we will put our shoulder to the wheel. It is about getting that discipline.

Showing leadership means that private investors will also come forward and put their money in, because it is a collective effort. The private sector cannot do it alone; the government cannot do it alone. It is us showing that ambition. Using the SEC to drive the ambition to reduce our emissions will give great confidence, even more confidence, to a market that sees right now Victoria as a really important destination for investment to get projects built. This is about unlocking billions of dollars of investment and creating thousands of jobs. The benefits to the economy are absolutely significant when you have the right policy settings. The SEC driving a lot of that will mean of course that we will be able to achieve our world-leading emissions reduction targets and of course our renewable energy targets.

We were a state that started with less than 11 per cent of our energy supply coming from renewable sources when we were first elected. We are now at, I think, about 36 per cent. We will be smashing our 2025 target, and we will be absolutely getting to 65 per cent by 2035 and getting those emissions cut by half.

Lauren KATHAGE: Thank you, Minister.

The CHAIR: Thank you, Minister. We will now go to Ms Sandell.

Ellen SANDELL: Five minutes, is it?

The CHAIR: Sorry?

Ellen SANDELL: How long?

The CHAIR: Seven minutes. Apologies.

Ellen SANDELL: Thank you very much. You just mentioned, Minister, that investing in anything other than renewables is not an option for the SEC, so I am pleased to hear that. Can I just confirm: so there will be no investment in fossil fuels through the SEC, is that correct?

Lily D'AMBROSIO: That is correct.

Ellen SANDELL: And what about fossil fuels that are coupled with carbon capture and storage, so –

Lily D'AMBROSIO: No.

Ellen SANDELL: So no. So you are ruling out carbon capture and storage?

Lily D'AMBROSIO: That is correct. That is right.

Ellen SANDELL: Thank you. Obviously storage is a big challenge that we have here in Victoria. I note you have got a number of initiatives around neighbourhood batteries and there is a whole raft of initiatives. I am just wondering about some of those larger scale technologies like pumped hydro and whether that is something that the SEC is looking at.

Lily D'AMBROSIO: Thank you for the question. It is one certainly that is a consideration for us not just of course with the SEC but across the department, the energy team. What we are saying is that certainly in terms of the early focus for the SEC in terms of investment opportunities there are no prospective, to my knowledge, pumped hydro projects that potentially are available for us to seriously consider right now, but that does not mean to say that at some point in time other technologies, whether it is pumped hydro or other types of renewable-type technologies, will not potentially be a part of it. But certainly not in the first stages, because as I said, we want to get moving and get those projects built as soon as we can – the first projects at least.

Ellen SANDELL: Thank you. I appreciate that. So just in terms of the returns on the SEC, is the government committing to investing all of these back into the SEC or will they be drawing dividends away from the SEC like what happens with the TAC?

Lily D'AMBROSIO: I think what we have said is that whatever returns will be invested back into renewable energy projects – that is what we have said.

Ellen SANDELL: Wonderful. I just want to ask about the worker training centres. There are two initiatives, so you have got the SEC centre of training excellence and then separately the clean energy worker training centres. Can you explain the logic of having the two separate initiatives? From my first reading, it looks like they provide pretty similar outcomes, but how are you avoiding duplication and overlap? Why do you need the two separate initiatives?

Lily D'AMBROSIO: I think there is a need because they are distinct. One of them of course is a renewable hydrogen training centre, because we know that with the move towards electrification and energy efficiency, heat pumps are going to become more of a focus in terms of meeting our heating needs, for example – space heating and also heating our water systems. So there are distinctions here, definitely, that are very clear. Training people, plumbers, to be able to do those types of things, for example, is really important. The wind energy training centre – we have a really clear commitment and focus around promoting not just our onshore wind energy industry and developing the skills that come with that but the newer types of skills and in some cases very different types of skills that are needed to be ready within our workforce to deliver our offshore wind energy resources. That is why the focus is for that. Now, the SEC centre of training excellence of course is about how to help the SEC's role in being a market participant and having a workforce that is ready. They are all complementary. They do not rule out each other, they do not overlap each other. They are distinct in the areas that are the greatest of priorities for us as a department and as a government.

Ellen SANDELL: Okay. Thank you. Given I had limited time in the previous portfolio, this might be one that crosses a bit over, but hopefully you will be able to answer anyway. We have heard some pretty disturbing reports recently about gas companies actually paying Victorians to connect to the gas network. Your government's stated objective is to transition Victorians away from the gas network. Is there anything the Victorian government can commit to to prevent that kind of predatory behaviour?

Lily D'AMBROSIO: Certainly you would know that we have already taken some regulatory reform steps. I mentioned the VEU and also the ability for new housing developments not to embed gas network distribution infrastructure. Those reports of the promotion in other states – I think it is New South Wales – do concern me for a number of reasons. One is: why should you be pushing people onto something that is very expensive at a time when the cost of living is very pronounced for everyone in Australia, including Victoria? There is a growing concern, a knowledge base, around health impacts of course for homes, and just last week I received a representation from Healthy Futures, I think they are called – I cannot remember the name of the organisation, but effectively health professionals – on their concerns around usage of gas within homes and health impacts. That is why we are continuing to focus on moving away from that through electrification and energy efficiency.

I am keen to have conversations with the proponents of that advertising campaign to understand their logic there, but I think that any of the energy companies that are in this space really need to take a greater sense of responsibility and a whole-of-system understanding when they present to communities about the benefits of

particular energy fuels. And I think that is becoming more incumbent and more important as we get closer to the need to get to net zero – understanding the health impacts, not just the environmental impacts, that fossil fuels play in our community and our environment.

Ellen SANDELL: And would the government consider some stronger measures? I guess we could prevent the companies from undertaking this kind of behaviour.

Lily D'AMBROSIO: Look, I will take that into consideration and get some advice from my department.

Ellen SANDELL: Thank you.

The CHAIR: Apologies, Ms Sandell. Your time is up. We will go to Mr Hilakari for the next 7 minutes.

Mathew HILAKARI: Thank you, Minister, and thank you, officials. I appreciate the time that you are giving to us this morning. Minister, I would like to take you to a subject we have partially covered, I think, around jobs in the SEC and also growing our economy. Could you just bring us to a bit more detail on that, if that is possible?

Lily D'AMBROSIO: Yes. With jobs and growing our economy, those two things have always been central to our program and our commitments around renewable energy and decarbonising our economy. There should be no-one that falls through the gaps when we talk about transitioning, and that is absolutely what distinguishes us from other governments that perhaps do not have the Labor flavour, if you like, of communities and interests of communities. There is great risk potentially that with transition those most vulnerable, those that have less ability to be able to access and come along for the journey, if you like, can very much be left out either in terms of jobs or dislocation of communities themselves, and of course they can often miss the wave of transition. That is absolutely what we are committed to not seeing happen in Victoria. One of the reasons why bringing back the SEC is so vital in our transition is that when you have an SEC that will be 100 per cent publicly owned and its investments will be in assets that will be part of a burgeoning economic development, then we understand that it is also about investing for and on behalf of Victorians. Returns to Victorians will be invested back into renewable energy projects. The more of that we can do, the more we can actually see downward pressure on people's power bills – every single power bill for every single Victorian, whether they are in a household at home or in a workplace. That is really critical.

The other part of this of course is that when a government has a stake in infrastructure, it can more easily direct better outcomes in terms of local supply chain and local content requirements. This is something that we have been able to do through our VRET projects. However, the SEC will take that to a new level, because it is government's investment on behalf of Victorians, which will ensure that in the policies we have in place that filter through all of the investments that are made in Victoria, whether they be on transport infrastructure, on building new schools or on building new hospitals, we do have a clear eye to maximising or optimising local content, which means more jobs for locals and making sure that therefore it helps to drive the demand locally for workforce and the demand for training and skills upgrades.

It is a whole of an ecosystem that the SEC will absolutely contribute to. We want to be the hub of renewable energy jobs for the country, and we can do that when we have projects and commitments like bringing back the SEC that will help to drive that local content, those local jobs and the need for more jobs that will be created and having a workforce that is skilled up by the state and other like-minded entities to be able to deliver that and optimise the outcomes.

Having a workforce that can transition from one industry to another through upskilling – free TAFE has been fantastic for that. It is one of those reasons why free TAFE has been so successful. It has made choices easy for people regardless of what money they have got in their wallet and whatever their circumstances are in terms of old jobs that they are moving from to new jobs. Helping with the transition is really, really critical, and the SEC will just take it to a whole new level, contributing to creating those 59,000 jobs, 6000 apprentices and trainees. People want to be a part of this. I mean, the excitement that I see in young people's faces, who probably do not have a direct personal memory of what the SEC was but actually have parents and have grandparents who worked and had jobs and had good incomes and had stable employment up until a particular moment in history when –

Members interjecting.

Lily D'AMBROSIO: the rug was pulled out from under them.

The CHAIR: Excuse me, Minister. Mr Galea, on a point of order.

Michael GALEA: Could the minister please be allowed to answer the question without assistance from Mr McGowan and Mrs McArthur.

Danny O'BRIEN: That is actually not a point of order. That is the Chair's job.

The CHAIR: Thank you, Mr O'Brien. Minister, if you could please continue.

Lily D'AMBROSIO: Absolutely. And when we think about the new technologies that are coming in, you can understand the depth of new skills and expertise that we can harness for our young people who are thinking, 'You know, I love the sense of renewable energy, but what does it look like?' How is it tangible for them?

Bev McARTHUR: Not 88-metre-high transmission towers.

The CHAIR: Mrs McArthur, please keep the sideline commentary to yourself.

Lily D'AMBROSIO: Our energy jobs plan will be a really important part of delivering all of that. And I want young people in Victoria, women in particular, to know that this is a place for them. One that is supported by government, supporting them to determine a future that is good, secure, well paying and highly valued by all of us. That is what I want to see, and we will only do that by bringing back the SEC.

Mathew HILAKARI: I am so pleased that you mentioned the 6000 apprenticeships, because they will come from every community across the state – every community, regional Victoria as well. I think members should be mindful of that; that this is their future that we are talking about.

The CHAIR: Thank you, Mr Hilakari. Mr O'Brien.

Danny O'BRIEN: Thank you, Chair. Mr Miller, you are the interim CEO of the SEC. Where are you based? Where is the office?

Chris MILLER: We are based at 8 Nicholson Street.

Danny O'BRIEN: 8 Nicholson Street. The government committed to establish an office in Morwell in the Latrobe Valley. Is that going to be the head office of the SEC?

Chris MILLER: Thanks for the question, Mr O'Brien. Fully conscious of the government's commitments to establish a presence in Morwell as well as in Melbourne, at the moment I lead a team that is the SEC implementation office. So we are –

Danny O'BRIEN: Sorry, I could not hear you.

Chris MILLER: So the team I am leading is the SEC implementation office, which is based within the department. Our primary task really is to give the best advice to government on the establishment, design, mandate and operating model for the SEC ultimately, and the minister has talked in her presentation about the ambition for the entity to move out of the departmental structure and be a standalone entity. Now, we are not there yet, but that is the ambition. We are trying to walk a line between giving government the opportunity to consider that strategy and that operating model without fully operationalising it, because we do not want to get ahead of ourselves with the operationalisation of it. But what we are doing is taking some steps to ensure that the entity is ready to be operationalised when that strategy is finalised, including securing a presence in Morwell. So we have secured office space in Morwell.

Danny O'BRIEN: Is that in the GovHub?

Chris MILLER: Through the GovHub. That is right.

Danny O'BRIEN: It is in the GovHub?

Chris MILLER: Yes.

Danny O'BRIEN: Has the government given you the mandate to establish the head office in Morwell?

Chris MILLER: The mandate we have been given is to establish a presence in Morwell and –

Danny O'BRIEN: Perhaps I will ask the minister. Minister, where is the head office of the SEC going to be?

Lily D'AMBROSIO: Well, that has not been determined. But what I do want to say –

Danny O'BRIEN: So Morwell will be an office?

Lily D'AMBROSIO: As we see it, there will be a presence. But what I will say is that the Gippsland region, including Morwell, are going to be absolutely in the hot seat when it comes to the boom in renewable jobs.

Danny O'BRIEN: Yes, that is great. I did not ask about that. I just wanted to know where the head office is going to be.

Lily D'AMBROSIO: Well, these are all important. You are asking that, I think, because it is about jobs. Is that the interest? Is it about jobs in the valley?

Danny O'BRIEN: I have asked the question. You have answered it. Thank you. How many staff do you have currently, Mr Miller?

Chris MILLER: I have got numbers as at the end of April I think. Just give me one moment, Mr O'Brien. So I have got the figures as at 30 April, and as at that date we had a total of 29 staff.

Danny O'BRIEN: How many, sorry?

Chris MILLER: 29 staff.

Danny O'BRIEN: 29.

Chris MILLER: And that is working for the implementation office.

Danny O'BRIEN: Okay. Minister, how many jobs will there be in Morwell?

Lily D'AMBROSIO: I am not in a position to say that. We have committed to having a presence in Morwell, and that is exactly what we will do.

Danny O'BRIEN: Okay. How much of the \$44.5 million in the budget this year will actually go to establishing an office in Morwell, Mr Miller?

Chris MILLER: I will have to take that question on notice. The budget that has been allocated really is designed to cover a whole range of different costs, including staffing, securing accommodation and retention of experts, but I would have to take that question on notice.

Danny O'BRIEN: Okay, if you could, that would be great. Minister, you have flagged during the election campaign potentially becoming a retailer. Is the government going to make the SEC a retailer?

Lily D'AMBROSIO: Well, look, a whole range of considerations are underway. But I will say to you that we have determined our first priorities in getting the pioneer investment mandate done, getting the 10-year strategy working and getting those first projects contracted by the end of the year. So that is what we are getting on and doing.

Danny O'BRIEN: Does the government have any intention to go into transmission and distribution?

Lily D'AMBROSIO: No.

Danny O'BRIEN: No?

Lily D'AMBROSIO: The government?

Danny O'BRIEN: As the SEC.

Lily D'AMBROSIO: No. Our commitment is to create that 4.5 gigawatts.

Danny O'BRIEN: So retail is potential. Definitely no transmission and distribution.

Lily D'AMBROSIO: We have VicGrid, which is doing a great job on the ground. It is building up.

Danny O'BRIEN: Yes, but they are not building and running poles and wires.

Lily D'AMBROSIO: No.

Danny O'BRIEN: You are ruling that out. Okay. Mr Miller, is there any financial threshold for project investment, as in you will not go over a billion dollars, you will not go under \$50 million?

Chris MILLER: There is a practical threshold in the sense that the seed capital, the initial capital, that has been allocated to the SEC is a billion dollars, and so at this point in time obviously we cannot exceed that as a sum for initial investments. I would expect that as we get our investment profile up and running and the strategy finalised, we would be in a position to have a discussion with government about whether there is an opportunity for more funding.

Danny O'BRIEN: But neither you as the interim organisation nor the government have set a threshold as yet?

Chris MILLER: No, we have not.

Danny O'BRIEN: Mr Miller, the SEC that you are running – are you running the power saving bonus program?

Chris MILLER: Mr O'Brien, we are part of the department of energy, working under John, and we work pretty closely with our colleagues on a whole range of different initiatives. Obviously the power saving bonus is an initiative that is really designed to give consumers an ability and an encouragement to make choices about their electricity supplier. We see some pretty strong alignment between the SEC's ultimate goals and that initiative.

Danny O'BRIEN: Yes. But your section, your 29 people, you are not running the power saving bonus?

Chris MILLER: It is run by the department, and we have had discussions with those who are administering that program about the public presentation of that. And we think it actually makes good sense for the SEC to be lending its brand to those initiatives given that shared alignment.

Danny O'BRIEN: Yes, and that is obviously where I am going, and you worked that out. Secretary, that is the ad they are running at the moment right across the state, 'SEC – putting power back in your hands. Get your \$250.' The power saving bonus has got nothing to do with the SEC, has it?

John BRADLEY: I think, as the Interim CEO said, they both do share a strong focus. It is a very joined up energy program that we have got across all the initiatives, including standing up the SEC, as the minister was saying earlier. One of the things the SEC will do is help to catalyse that energy transition that is on foot –

Danny O'BRIEN: But the SEC is not running the power saving bonus.

John BRADLEY: but also the measures, Mr O'Brien, that are designed to provide improved affordability for customers. So there is a strong link between the downward pressure that the SEC, through its renewable energy investments, will put on power prices and the benefits to customers' bills that can be achieved through Victorian Energy Compare and the stimulus of the power saving bonus.

Danny O'BRIEN: There is a link between that and investing in anything in renewable energy, for example, Secretary, but is it not misleading advertising for the government to be promoting the SEC as being tied to the power saving bonus, which is a completely separate program?

John BRADLEY: Probably more to the contrary, Mr O'Brien, one of the biggest challenges consumers have is navigating a complex energy market –

Danny O'BRIEN: And you have made it more complex by bringing in another player.

John BRADLEY: and joined up communications have helped that.

The CHAIR: Thank you, gentlemen. Your time has expired, Mr O'Brien. We will go to Mr Hamer for the last round of questions.

Paul HAMER: Thank you, Chair. Thank you, Minister. Thank you, officials. I note in your presentation, Minister, that you talked about the establishment of an expert advisory panel and Mr Miller as Interim CEO – and welcome, Mr Miller, into that position. I was just wondering, Minister, if you could elaborate on the role of some of those appointees on the expert advisory panel.

Lily D'AMBROSIO: Thank you very much, Mr Hamer. Certainly when we appointed Chris Miller as the Interim CEO we created the expert advisory panel. We were very determined then that bringing the SEC was going to be a really critical thing to get right. Knowing that Victoria has had a privatised energy market for a long time – decades – it was very important that we took the best advice possible from experts in the field to complement the very important expertise that we have within the department. And so I am very pleased that we have six of Australia's leading business and energy experts that have agreed to be members of the advisory panel to provide advice on a strategy for re-establishing the SEC, what its functions could be, the operations and the form that the SEC would take – because of course it is not exactly the SEC as it was when it was in its last days. John Bradley of course is the chair of that advisory –

Nicholas McGOWAN: Busy man.

Lily D'AMBROSIO: He is a very busy man. The panel members of course are well-known people who range from having expertise and practical regulatory expertise also in energy markets globally, others who have led major corporations and those who are at the forefront in terms of climate action and driving a very strong global agenda to thought leaders and to people who have got great expertise in community protection matters when it comes to energy markets. All of those people, those experts, their expertise spans renewable energy technologies, as I said, climate science, which is really critical – data is very important – business and how to do those things well, economics expertise and, as I said, the consumer expertise, and that is to make sure that as we re-establish the SEC it has a diverse, skilled and suitably qualified group of experts to guide its success. Each panel member certainly brings a remarkable wealth of knowledge, and bringing those people together is really exciting. I have participated in a couple of their meetings, and to see the best minds in the country assisting government to bring back the SEC I think is a real testament to their community service-mindedness, their experience that the energy system can be much better in working for people rather than the other way round and they have got a real commitment to seeing the SEC succeed.

The panel has provided government with expert advice on the form and the structure of the SEC, so, for example, working closely with the SEC implementation office, helping to inform our pioneer investment mandate. They have played a really important role in that. The pioneer investment mandate has been well received in the public mind, no less so because of this expert advice that we have got. They are also providing important advice on the 10-year plan that we have committed to as a government publicly, and within that of course is the longer term investment mandate, which will of course replace the pioneer investment mandate in due course. All of those things are really critical for us to present and have clarity to Victorians about the first group of activities and functions that the SEC will focus on is, what is its potential governance arrangements, what is the best fit to deliver the agenda that we have and of course what are the exciting features or activities that it could potentially look to be involved in, other than of course helping to bring forward investment and the creation of 4.5 gigawatts of new generation and storage.

They are providing really invaluable advice, and I really do want to take the opportunity to thank them for their service, and this will make sure that we have got an SEC that is set up to be a modern participant in the market, with a clear focus on community benefit, public benefit and achieving the best outcomes for every Victorian no matter where they live.

Paul HAMER: Thank you, Minister. You have talked in your presentation and through the discussion about the \$1 billion in initial investment and then also the pioneer investment mandate, and I was wondering if you might be able to just detail some of the criteria that those investments will need to be focused on.

Lily D'AMBROSIO: Thank you. The pioneer investment mandate, if I may just pull out my document – I think you are asking what will the co-investment mandate –

The CHAIR: Apologies, Minister. I hate to interrupt, but the time for questions has come to an end. Minister and department officials, thank you very much for appearing before the committee this morning. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request. The committee is now going to take a very short break before beginning its consideration of the climate action portfolio. I declare this hearing adjourned.

Witnesses withdrew.