

ATTACHMENT: QUESTIONS TAKEN ON NOTICE AND FURTHER INFORMATION AGREED TO BE SUPPLIED AT THE HEARINGS

DEPARTMENT OF ENVIRONMENT, LAND, WATER AND PLANNING

1. Please provide any insight into how the retailers changed their behaviour in 2016-17 due to consumers having 'greater insight into pricing', as a result of the Victorian Energy Compare resource.

(Asked by Mr Dimopoulos, page 5 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - The following insights have been obtained through observing tariff changes and retailer interaction since the launch of Victorian Energy Compare (VEC) in 2015.

- *There has been a shift in market pricing, where innovative tariffs (i.e. flexible pricing offers) are more competitively priced, resulting in these offers emerging amongst the cheapest offers (i.e. at the top of the default list of offers) for a number of consumers.*
- *Some retailers have aligned their consumer-focused information with VEC content (i.e. terminology) to assist with offer identification.*
- *Some retailers have created tailored website content to accommodate referral traffic from the VEC website - providing direct links with VEC to improve the uptake of offers (i.e. GloBird VEC landing page) and assist with consumer experience.*
- *There have been improvements in accessing and using smart meter data, with some retailers making significant updates to their customer portals to support uploading Advanced Metering Infrastructure (AMI) data into VEC, which provides a more accurate comparison (e.g. the Powershop customer portal allows an instantaneous VEC-supported smart meter data download process).*

Traffic to the VEC website has also increased with an additional 210,000 users visiting the website during 2016-17 (as at the end of 2015-16, there had been 160,000 users). Since the launch of the VEC website, retailers have consistently added new offers to the comparison website with new market offers coming into the website as often as weekly or daily at most times throughout the year. Retailers apply varied strategies when it comes to creating offers and marketing them in the VEC website (or elsewhere), however, from the flow of new and expiring market offers, it appears that retailers are responding to market interest and at times using VEC to generate interest in their most competitive offers.

2. 'Given the negotiations and planning for planning amendment C314 were undertaken in the period under examination by the committee, will you please make available to the committee the following documents referred to in the incorporated document: works plans for the Alfred Deakin building prepared by JMA Architects; the project core architectural drawings, including demolition plans for the Yarra building prepared by Foster and Partners; proposal plans prepared by Foster and Partners; an Oculus concept planning report prepared for this Apple building to be built on the demolished aspect of Fed Square?'

(Asked by Mr Smith, page 5 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - Please refer to the following attachments

- *Attachment 1a) C314 Project Core Building, Federation Square Incorporated Document*

- *Attachment 1b) Proposal Plans (first 6 pages include demolition plans whilst remainder of document comprise concept and proposal plans)*
- *Attachment 1c) Oculus Federation Square Concept Planning Report*

**Note the Alfred Deakin building workplans cannot be provided at this stage as they have not yet been publicly released.*

3. Please confirm whether there was or was not any activity at DELWP in the 2016-17 year, in relation to the proposed Apple building at Federation Square.

(Asked by Mr Morris, page 8 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - *DELWP can confirm that they were invited to discussions by the Department of Economic Development, Jobs, Transport and Resources on approximately four occasions during the 2016-17 financial year regarding this matter. DELWP provided verbal technical advice on planning matters consistent with DELWP's standard approach when dealing with all pre-applications. DELWP did not engage with Apple directly during 2016-17.*

4. Please provide details of how many staff were recruited and the overall staff figures in the 2016-17 period, for fire season preparedness and firefighting work.

(Asked by Ms Ward, page 7 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response – *In 2016-17, there were 2,758 Forest Fire Management Victoria staff with authorisation to perform a fire or emergency management role. Forest Fire Management Victoria staff includes staff from DELWP, Parks Victoria, VicForests and Melbourne Water. This included the recruitment of 591 staff by FFMVic to perform project firefighting roles.*

5. The GC37 Caulfield-Dandenong rail upgrade project incorporated document states that 'the project includes engineering or foundation works required to enable future transit-oriented development. Could the Department point out where these engineering or foundation works have been, are being or will be undertaken and outline for the Committee the planning approval process for these transit-oriented developments?

(Asked by Mr Smith, pages 8 - 9 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - *The department is not aware of any engineering or foundation works along the Caulfield to Dandenong rail line to facilitate transit orientated developments, also known as integrated development opportunities.*

In September 2015, the Minister for Planning established an independent standing advisory committee to consider 'value capture' integrated development opportunities created as part of the level crossing removal program. The standing advisory committee provides a consistent and transparent process for considering such integrated development opportunities.

Once the committee receives a referral from the Minister, a proposal will be placed on public exhibition for four weeks after which the Committee will hold a public hearing. During the hearing, submitters from the exhibition stage are offered the opportunity to be heard. Once the hearing is concluded, the committee will debate the merits of the proposal and prepare an independent recommendation report for the Minister.

On 18 December 2016, the Minister revised the Terms of Reference for the standing advisory committee to expand its scope to provide advice on integrated development opportunities created by any Victorian transport project.

On 6 September 2017, the Minister further revised the Terms of Reference for the standing advisory committee to enable consideration of a combined planning permit and planning scheme amendment, and ensure proposals make appropriate use of the Victoria Planning Provisions.

6. In relation to the GC37 Caulfield-Dandenong rail upgrade project incorporated document, what development applications have been made or approved? Also, could the Department mark these on the maps in the incorporated document and provide the Committee with copies of those applications and projects?

(Asked by Mr Smith, page 8 of the Department of Environment, Land, Water and Planning portfolio transcript)

***Response** - There have been no development applications along the Caulfield to Dandenong rail line as part of the Level Crossing Removal program. However, for clarification, there has been a series of secondary consents approved. All secondary consents required under the incorporated document, to enable the project, have been submitted and approved.*

7. Reference was made in the hearing to Melbourne Water's questionnaire response and the increase in gross salaries over the last couple of years, particularly in comparison to the other water companies or organisations - salaries increased over two years by 26 per cent. The explanation for the movement between 2014 and 2015 was that the increases were tied to indexation. There was also in the casual staffing an increase based on required resourcing for various activities. Please provide further details on the reasons for these changes.

(Asked by Ms Patten, page 12 of the Department of Environment, Land, Water and Planning portfolio transcript)

***Response** - The increase in salary costs over two years in 2014-15 to 2016-17 is mainly due to two factors:*

- salary increases tied to indexation associated with the Melbourne Water Enterprise Bargaining Agreement; and*
- increases to the organisation's FTE following several strategic decisions to retain specialist knowledge and technical expertise within Melbourne Water.*

The increase in FTE is associated with:

- insourcing the Waterways and Land delivery team function, with most staff transferring over from the previous external provider, and a subsequent reduction in external professional services costs;*
- an increase in management requirements and positions including converting IT technical experts from contractors to FTE positions; and*
- reduced reliance on agency contractors resulting in greater use of inhouse staff.*

8. The State of the Environment Report states that the data related to the foreshore protection measures was not available at the time of the report.

a) Does that data link back to the state of the bays report?

b) Please indicate the reasons why that particular data was not available at the time of reporting.

(Asked by Ms Patten, page 13 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response –

Note: It is assumed that the question refers to the DELWP Annual Report rather than the State of the Environment Report as this is where foreshore protection measures were detailed. The response to this question is as follows:

a) *Data in the Annual Report does not link back to the State of the Bays Report, as foreshore protection measures data was not published in the 2016-17 DELWP annual report (refer to response to Question 8b).*

Furthermore, the State of the Bays report is a scientific baseline report, on the state and trend (where available) of the marine health and condition of the two bays. It was the first comprehensive report on the two bays and included 50 assessments against 36 marine science indicators. The intent of the report was not to directly assess the effectiveness of management interventions i.e. foreshore protection measures.

b) *Data was not available for this performance measure at the time of the publication of the 2016-17 DELWP annual report as at the time, a new asset management system was in development to report on coastal protection assets. A new measure 'Coastal protection infrastructure projects delivered' has been introduced in 2017-18 to more accurately reflect the ongoing workload of the program and provide assurance that DELWP is continuing to manage foreshore protection assets.*

9. In relation to the fuel reduction activities in 2016-17, please indicate:

a) how much of that activity was undertaken by VicForests

b) how much of the fuel reduction was undertaken in state forests

c) whether Vic Forests was paid for that work and if so how much.

(Asked by Ms Pennicuik, pages 13 - 14 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response

a) VicForests, as a separate entity, are not responsible for undertaking fuel reduction burns. Forest Fire Management Victoria (FFMV) which includes staff from DELWP, Parks Victoria, VicForests and Melbourne Water) undertake all burns on public land. VicForests requires FFMV to undertake regeneration burns for the purpose of regenerating logging coupes (a legislated requirement under the *Sustainable Forest Timber Act 2004*).

In 2016-17, Forest Fire Management Victoria treated 113,501 hectares with planned burning, which included 1,932 hectares of regeneration burns.

- b) A total of 80,285 hectares was treated in state forests in 2016-17.
- c) No - VicForests is not paid for fuel reduction burns. FFMV recoups from VicForests the cost of any resources used during regeneration burning.

10. What was the cost of commissioning the report by Carbon and Energy markets to produce the modelling on the impact of Hazelwood's closure on electricity prices?

(Asked by Mr O'Brien, page 15 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response – *The cost of the Hazelwood closure study was \$15,840 (including GST).*

11. With regards to the South West Loddon pipeline project and the Macalister irrigation district modernisation process, please indicate the way this investment is expected to meet objectives around water security and sustainability. What outcomes is this investment expected to have, particularly for that part of Gippsland?

(Asked by Ms Shing, pages 19-20 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - *The South West Loddon project will construct a rural water pipeline to provide a secure water supply for the climate stressed region of South West Loddon in North West Victoria. It will extend the existing Wimmera-Mallee stock and domestic pipeline, owned and operated by Grampians Wimmera Mallee Water and connect it to the Waranga Western Channel managed by Goulburn Murray Water, to provide a more secure rural water supply to sustain a viable regional economy. The project will service up to 261 rural farming enterprises and 372 lifestyle properties over an area of 1,670 square kilometres, with a reticulated water supply. The project will create and protect 134 jobs. The increased agricultural production and intensive livestock activity will also promote wider regional flow on effects with an increase in the goods and services purchased in the area.*

The \$60 million Macalister Irrigation District (MID) 2030 Modernisation Phase 1B will replace 85km of ageing open channel with approximately 38km of pipeline and 32km of automated channel and generate approximately 9.7 GL of annual water savings for productive use. The improved service delivery will result in shorter order lead times and more water delivered through a modernised system. The water savings will also help boost regional agricultural production and will lead to more efficient on-farm irrigation, improved on-farm yields and profitability for every megalitre supplied. The project is expected to create 208 jobs during the construction phase and 100 long-term jobs from the increase in farm gate production.

12. In relation to the advice received by the Government from Melbourne Water and the Department on the Desalination Plant's water orders, please confirm if the 2016-17 advice includes a zero-gigalitre water order scenario (zero model run) for 2017-18, 2018-19 or 2019-20.

(Asked by Mr O'Brien, pages 20-21 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - *The modelling undertaken by Melbourne Water included a zero gigalitre water order scenario.*

13. Was the water order modelled but not published?

(Asked by Mr O'Brien, page 25 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - *The water order scenario analysis is published on Melbourne Water's website each year: Summary of Technical Analysis 2017-18 Desalinated Water Order Advice (Refer to attachment 13a). The Summary Analysis is updated annually on Melbourne Water's website for each order.*

Melbourne Water models a range of scenarios (including a 0,0,0 order for the next three years) as part of the consideration of the water order volumes. The analysis in the Melbourne Water's published Summary Technical Analysis only provides a more detailed analysis of water order scenarios (page 10) that best match the water order principles (page 3). All options are modelled but with only the four that best match the principles discussed and analysed further.

14. With respect to the Renewable Energy Certificates (RECs) associated with the Victorian Desalination Plant, the Department's Deputy Secretary (Ms Helen Vaughan) indicated during the public hearing that 'the value of the RECs has increased over the last couple of years such that the purchase price of RECs by Aquasure is lower than the current market selling rate'. Please provide the value (i.e. figure) of those RECs.

(Asked by Mr O'Brien, page 21 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - *The value of the Victorian Desalination Project Renewable Energy Certificates (2012-13 to 2016-17 cumulative) was \$115.96 million as at 30 June 2017, disclosed as Intangible Assets in the 2016-17 DELWP Annual Financial Statements.*

Note the value of RECs is subject to market factors and continual changes in value.

15. In the Department's response to the Committee's questionnaire (p.21), it is stated that the administered revenue item 'other income' showed a variance of \$85.8 million between 2015-16 and 2016-17, however, the Secretary indicated that this variance was \$41.6 million. Please provide the actual figures for 2015-16 and 2016-17 respectively, the explanation for this variance, and how the additional revenue was used/the impact of the reduction in revenue.

(Asked by Ms Pennicuik, page 23 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response

The Secretary's response to the Question did not indicate that the administered revenue item 'Other income' was \$41.6 million. The Question put by the Honourable Member in the hearing was

"I presume that was because that 50 gigs was not actually delivered, and in fact on the questionnaire, page 21, it says that there was a variance of some \$88 million of funds paid to the Victorian desalination project trust account due to the reduction in main payments to Aquasure associated with the lower than ordered delivery of water. I remember questioning the minister about whether the water was going to be delivered, so what was actually delivered?"

Actual administered revenue for the 'other income' category for 2015-16 and 2016-17 is \$203.0 million and \$288.8 million respectively. The variance of \$85.8 million is predominantly due to the change in the accounting treatment to the Goulburn-Murray Water Connections project for capital works amounting to \$74.5 million.

The balance of the variance mainly relates to:

- *\$3.6 million capital contribution to Southern Rural Water out of controlled trust to administered revenue to allow for an investment in Southern Rural Water;*
- *\$2.9 million reflecting the partial derecognition of the liability in the Victorian Desalination project; and*
- *\$2.9 million received from Parks Victoria for roofed accommodation fees in Parks which was previously categorised as part of sale of goods and services, to comply with the Department of Treasury and Finance's classification rules.*

As indicated in the Department's response during the hearing, the \$41.6 million figure quoted relates specifically to an abatement in payments to Aquasure associated with the lower than ordered delivery of water. This amount was paid into the Victorian Desalination project trust however this was offset by a transfer of the equivalent amount into the consolidated fund. This is reflected in the derecognition of the liability in the Victorian Desalination Project discussed above.

The additional revenue was available for investment back into the Goulburn Murray Water Connections project.

16. In the Department's annual report, Appendix 8 pp.285-6 (Sustainability Fund Account and Program grants) shows a miscellaneous revenue of \$0.63 million. Please explain what this miscellaneous revenue consists of.

(Asked by Mr Morris, pages 28-29 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response – *The miscellaneous revenue line item represented the return of unexpended funds from completed programs back into the Sustainability Fund, under the standard terms of the funding agreement. Of the \$631,908 revenue, \$625,648 was returned from Sustainability Victoria and \$6,260 from the Environmental Protection Authority.*

17. In relation to the Sustainability Fund Trust Account, the Department's Annual Report shows a total receipt of \$130,839,000 (p.211), while Appendix 8 (p.285) shows a total receipt figure of \$137,051,000. Please explain the reason for this divergence.

(Asked by Mr Morris, pages 28-29 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response – *The total receipts figure of \$130.8 million on page 211 shows receipts recognised based on a cash basis, whilst the total receipts figure in Appendix on page 285 of \$137.5 million shows receipts recognised on an accrual basis.*

The variance of \$6.7 million reflects accrued revenue, accrued interest and an accrual of the annual movement in unit values for the Victorian Funds Management Corporation (VFMC) Investment based on VFMC's unit price as at 30 June 2017.

It is to be noted that there is also corresponding variance in expenses as a result of the difference between the cash and accrual basis of accounting, however the closing balance for both reports total \$551.1 million.

Note: the total receipt figure on page 285, Appendix 8 is \$137.513 million and not \$137.051 million per the above question.

18. Regarding the Connections Project and the reset that has added 1,000 kilometres of backbone channel back into the project, please indicate whether the Department undertook any modelling as to what the ongoing costs of that decision would be.

(Asked by Mr O'Brien, page 33 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - *In assessing options during the GMW Connections Project Reset, a review was undertaken to analyse whole of life costs for a number of shortlisted options. The preferred option (Efficiency Optimisation Solution) outlined in the Connections Reset Delivery Plan, had the lowest whole of life cost and performed strongly against all performance criteria assessed. Under the Efficiency Optimisation Solution, each channel is primarily assessed based on value for money (\$/ML), with secondary considerations of water savings volume, customer considerations, whole of life costs and ease of implementation. An appropriate asset solution is applied based on the above assessment. The Reset Delivery Plan will mean a footprint of about 4,200 kilometres of channel. This is a reduction of about 1,800 kilometres of inefficient channels.*

19. Why has the committee to review the tariff structure for Goulburn-Murray Water not met?

(Asked by Mr O'Brien, page 33 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response – *In the PAEC Hearing, Mr O'Brien referred to the Minister having formed a committee to review the tariff structure for Goulburn Murray Water.*

The Minister has not formed a committee to review tariff structures. Mr O'Brien may have been referring to the Strategic Advisory Panel, which the Minister established in October 2017 to support Goulburn Murray Water in ensuring a prosperous and productive irrigation district across Northern Victoria. The Strategic Advisory Panel has met a number of times in late 2017 and early 2018, following its establishment.

Mr O'Brien may alternatively have been referring to Goulburn Murray Water's Pricing and Tariff Working Groups. These groups have been established as part of the corporation's preparation for the next pricing review by the Essential Services Commission, which will commence in 2018-19. The groups are as follows:

- *Gravity Irrigation and Drainage;*
- *Pumped Irrigation;*
- *Regulated Diverters;*
- *Unregulated and Groundwater Diverters;*
- *Domestic and Stock Water Works; and*
- *Bulkwater (Storages/Dams).*

These working groups all first met on 5 February 2018.

20. Has John Holland, the key contractor for the Connections Project, abided by the state government purchasing policy?

(Asked by Mr O'Brien, pages 34-35 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response – *The tender process conducted by the GMW Connections Project for the Early Contractor Involvement (ECI) Contractor was subject to a Gateway Review process by the Department of Treasury and Finance.*

This incorporated an independent assessment of the financial viability of the tenderers, including the preferred tenderer, John Holland.

John Holland is responsible for complying with all relevant laws and government policies in accordance with completing its obligations under the Connections Project contract. The Department has not been informed of any non-compliance by John Holland in relation to these matters.

21. VicForests' Annual report states that Leadbeater's possums have been observed in 39 of the 72 artificial hollows. Is the department able to advise whether these observations of nesting included detection of deposition material? If not, what did the nesting observations consist of? Can you advise how many actual nesting pairs were found in the artificial hollows?

(Asked by Ms Pennicuik, page 36 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - *Hollows were checked at four monthly intervals since they were installed in 2015, to monitor if animals are nesting in the new hollows. During these physical checks, an arborist examines the hollow to see if it contains the characteristics of shredded bark nest (deposition material), and if so, if animals are present inside it.*

Leadbeater's Possums have built nests in 39 of the hollows, completely filling the cavity with tightly woven strips of bark, and animals have been photographed bringing nesting material into the hollow, curled up in their tails. The hollows have been successfully used for breeding, with photographs revealing adults carrying one or sometimes two young on their backs into the hollows.

Leadbeater's Possum colony sizes vary from two to five possums and colonies typically use more than one nesting site within their territory and as a result, possums are not always present in the artificial hollows every time they are checked. It is not possible to accurately determine how many separate colonies are using the artificial hollows.

22. The Department's response to the Committee's questionnaire (p.7) indicates a lower-than-expected expenditure on the Melbourne strategic assessment due to not finding areas of biodiversity and conservation that met the criteria. Please provide further explanation about the issues that were causing this variance and whether there has been any progress in this regard.

(Asked by Ms Pennicuik, pages 36-37 of the Department of Environment, Land, Water and Planning portfolio transcript)

Response - *The Melbourne Strategic Assessment Program has had a lower than expected expenditure on land purchases of properties covered by a Public Acquisition Overlay (PAO) for the Western Grassland Reserve. DELWP's land acquisition strategy for the Western Grassland Reserve includes pursuing voluntary acquisition and prioritising landowners experiencing financial hardship, as well as areas of higher biodiversity significance within the PAO. Over the last twenty-four months, voluntary purchase negotiations have been delayed by price negotiations with individual participants and legal matters. These factors have affected both financial hardship and non-financial hardship cases.*