

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2024–25 Budget Estimates**

Melbourne – Thursday 23 May 2024

### **MEMBERS**

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Aiv Puglielli

Meng Heang Tak



**WITNESSES**

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

John Bradley, Secretary, and

Chris Miller, Interim Chief Executive Officer, State Electricity Commission of Victoria, 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 2024–25 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, any comments repeated outside of 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 today 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 officials from DEECA. Welcome. Minister, I invite you to make an opening statement or presentation of no more than 5 minutes, and this will be followed by questions from the committee. Your time starts now.

**Lily D'AMBROSIO:** Thank you very much, Chair. I am very pleased to talk to a short presentation before taking questions.

**Visual presentation.**

**Lily D'AMBROSIO:** Victoria, as I said this morning, is undergoing a once-in-a-lifetime energy transition. We will need to build 25 gigawatts of new capacity by 2035. That includes storage. Achieving this cannot be done by the private sector alone. We have heard reports, certainly recently, about the slowing down of investment. It is so critical that we keep moving in terms of build. Construction of new onshore renewables must increase 1½ times, and the construction rate of storage needs to increase tenfold to meet future energy demand. That is why, plus a few other good reasons in terms of the public-facing work of the SEC, the SEC is back: to own new renewable energy projects on behalf of all Victorians and accelerate our energy transition. That is about keeping power prices low and the lights on. The new SEC entity was incorporated in October 2023 and now operates under the oversight of a skilled and experienced independent board, which began its work on 1 May this year.

In October the Premier and I released the SEC strategic plan, which includes the three focuses of the SEC. One, invest to accelerate the transition. The SEC is investing an initial \$1 billion towards developing new renewable energy and storage projects that accelerate the transition and help deliver affordable, reliable energy for Victorians while achieving sustainable financial returns. Two, support the switch to all-electric households. The SEC will supply Victorians with simple and effective solutions that help them reduce their energy costs and emissions, starting with electrification in their homes. Build a renewable energy workforce – the SEC will support the attraction, training and retention of a skilled renewable energy workforce, including through the SEC centre of training excellence.

In this year's budget there are no new funding initiatives allocated to the SEC. However, the initial \$1 billion investment provided for in last year's budget has allowed the SEC to hit the ground running, and I will speak on that through the committee now. Firstly, the Melbourne renewable energy hub in Plumpton. This is the SEC's

first project. The Melbourne renewable energy hub is currently under construction. Construction crews are hard at work getting ready for the arrival of 444 Tesla Megapacks. This will be one of the largest batteries in the world. The SEC is currently engaging directly with market participants on prospective ownership opportunities to determine its next project, so one down, the next one is coming. The SEC will be owning and delivering projects that are above and beyond what the market would have otherwise delivered and will meet the state's need for energy generation and storage. Projects will also need to deliver sustainable returns, investing Victorians' money with care to deliver sustainable returns across its portfolios.

Community energy solutions are also an important part of the SEC's work. They have been hard at work developing pilot programs to help Victorians to switch their appliances from gas to electric to cut their energy bills and reduce emissions. For an average detached dwelling, going from dual fuel to all electric can reduce bills by around 30 per cent, or as much as 60 per cent if solar is added. Cost and complexity can be barriers to electrification. Many people do not know about the cost benefits or technologies to help them switch. Victorians want a trusted partner to help them make that switch. The SEC is that trusted partner and they will soon begin piloting products and solutions to help more Victorian households access cheaper energy in their homes, putting power back in their hands.

Our 2035 renewable electricity target will create 59,000 jobs in Victoria. The SEC has a key role to play by supporting the attraction, training and retention of a skilled renewable energy workforce. The new SEC centre of training excellence is the key driver of the SEC's work. It will coordinate courses in renewable energy, connecting with TAFEs, registered training organisations, unions and industry. Work is currently underway to complete the business case for the centre to enable implementation later this year. This will complement the Victorian energy jobs plan and of course that gives us a big picture of the jobs that will be created – 59,000 – the types of jobs that will be created and how we will ensure that we have a workforce amongst Victorians that is ready to go to deliver this.

**The CHAIR:** Thank you, Minister. The first 7 minutes is going to go to the Deputy Chair.

**Nick McGOWAN:** Thank you very much, and thank you, Minister. Minister, I will not embarrass you by asking why there is not a single budget initiative in this year's budget, but what I will ask is: why aren't there any performance measures for the SEC in this year's budget?

**Lily D'AMBROSIO:** Well, the SEC is established with a governing board and structure and its own constitution. They will be reporting against their business plans, against their investment strategies and will be reported annually through an annual report to Parliament.

**Nick McGOWAN:** When can we expect their first annual report, Minister?

**Lily D'AMBROSIO:** In October this year.

**Nick McGOWAN:** Thank you. When is the SEC expected to deliver the goal of reducing power bills to Victorians?

**Lily D'AMBROSIO:** Well, as I say, the objective of the SEC, as we announced during the election when we announced the return of the SEC, is to accelerate investment in renewable energy. The SEC will cause to be delivered 4500 gigawatts of new supply into Victoria and all of that together, holistically, will help keep power prices down. We only have to look at the fact that Victoria has consistently had the lowest wholesale electricity prices in the national electricity market, and the SEC will continue to accelerate and drive the build of new renewable energy projects to ensure that Victoria can continue to deliver those cheaper bills.

**Nick McGOWAN:** Mr Miller, are you able to tell us what the communications and advertising budget was for the SEC hedge fund last year but also what it is for the SEC hedge fund in the forward estimates?

**Chris MILLER:** Thanks, Mr McGowan. In relation to the upcoming financial year, we are going through a process with our newly arrived independent board to agree a budget right across the operations for the SEC, so I do not have those figures in front of me. In relation to the current financial year, I know that there has been some information provided publicly about expenditure on marketing and communications. I am happy to provide to the committee that information if that is useful.

**Nick McGOWAN:** If you can, to the point that you can provide it up to the date you provide it, that would be most welcome, thank you. Are you also able to provide us with information in terms of how many FTE staff the SEC hedge fund has?

**Chris MILLER:** Sure. Let me just get to the right information for you. In relation to the new SEC entity that the minister talked about in her presentation, as at 6 May this year it has 33 staff.

**Nick McGOWAN:** What is the FTE?

**Chris MILLER:** It is 33 FTE.

**Nick McGOWAN:** It is 33 FTE. How many of those are based full-time in Morwell?

**Chris MILLER:** We have one staff member based in Morwell. She is full-time and an ongoing staff member.

**Danny O'BRIEN:** Do they work from home or in the office?

**Chris MILLER:** The expectation of my staff is that they spend a minimum of three days a week working in the office, so that staff member works on average three days a week in the GovHub.

**Danny O'BRIEN:** In the GovHub? Thank you.

**Nick McGOWAN:** What is the total cost of establishing that office so far? Is it the office in Morwell?

**Chris MILLER:** It would really be limited, Mr McGowan, to the salaries of the individual in question.

**Nick McGOWAN:** There are no fit-out costs, there are no lease costs, there are no on-costs?

**Chris MILLER:** No. We were fortunate enough to be able to share facilities with other government tenants down there.

**Nick McGOWAN:** Is it a desk more than an office? Would that be a fairer characterisation of the operation of the SEC hedge fund?

**Chris MILLER:** We have office space down at the GovHub. That is more –

**Nick McGOWAN:** I hope more than one desk, Mr Miller.

**Chris MILLER:** More than one desk; that is right.

**Nick McGOWAN:** Two?

**Chris MILLER:** I do not have the precise number in front of me.

**Nick McGOWAN:** If you could let us know how many desks you occupy, that would be great. Again, this is for Mr Miller. You have been the Interim CEO for the SEC hedge fund since December 2022. Why has the government not made your position permanent? Do you have an update for the committee on that?

**Chris MILLER:** I might just make a few remarks, Mr McGowan, and then the minister might want to add.

**Nick McGOWAN:** I am happy for the minister to answer, though, if that is more appropriate.

**Chris MILLER:** I think it is important to clarify that for the period from December 2022 the task that was in front of us was designing the entity, designing the strategy for the entity and conducting a lot of engagement with industry about how the SEC could be designed optimally to make a contribution to the transition. My task at the very end of 2022 was to stand up and lead an implementation office, which is a division of the department. That work continued in earnest all the way through 2023 until such time as the entities were incorporated, in October 2023, at which time I had been appointed by the board of the entity as an Interim CEO for the SEC Vic Pty Ltd.

**Nick McGOWAN:** When does your contract cease then in that capacity?

**Chris MILLER:** Did you want to add to that?

**Lily D'AMBROSIO:** I am happy to.

**Nick McGOWAN:** Thank you, Minister.

**Lily D'AMBROSIO:** The enduring board has now been established, and the government made a decision that it was more appropriate for the enduring board to determine who its CEO would be. That is a matter for the enduring board, which was established a number of weeks ago I believe – 1 May. That is a matter for the enduring board, which has now been established. The issue about staffing at Morwell office – every job that has been advertised we have encouraged people from Morwell to apply but also have made the option available to them to work from the Morwell office. You cannot force people to work from there, but certainly we have been encouraging it, and it is something that the SEC will continue to encourage.

**Nick McGOWAN:** At least we know that two days a week there is a desk for someone. Minister, can you outline exactly how many gigawatts of renewable energy generation and storage assets the SEC currently supports?

**Lily D'AMBROSIO:** The first one, of course, is the Melbourne renewable energy hub, and I will go to that detail about what its capacity is. Once complete, the hub will provide 1.6 gigawatt hours of energy storage – and what is the capacity there?

**John BRADLEY:** Six hundred.

**Lily D'AMBROSIO:** Six hundred megawatt capacity.

**Nick McGOWAN:** Perhaps it is easier, Secretary, if I can ask you for a list of these assets, including the location, owner and approximate end of life?

**John BRADLEY:** I am sorry, I just did not hear the question.

**Nick McGOWAN:** That is okay; it has a few components. Can I ask for a list of the assets, including the location, owner and approximate end of life.

**The CHAIR:** Apologies, Mr McGowan, we are out of time. We will be coming back this way. We are going to go to Mr Galea.

**Michael GALEA:** Thank you, Chair. Thanks again, Minister. Minister, if I can ask you about some of the investments and the projects already made by the SEC, which you referred to in your presentation. Can you please outline for us some of the projects that have already been invested in?

**Lily D'AMBROSIO:** Thank you. The SEC, I am pleased to say, wasted no time in kicking off the first investment mandate to procure the first projects. Certainly that was announced in November last year, the first project, and that was very much record time. These things can take a long time to bring to fruition, and the SEC really got that first project under its belt very, very quickly – within less than 12 months. With the Melbourne renewable energy hub in Plumpton in western Melbourne, outer Melbourne, the SEC has invested \$245 million in that first project. It is a \$1 billion storage facility, and that is creating 155 jobs, including 14 apprentice and trainee roles. Can I say that the SEC's involvement in this project has delivered these important roles for trainees and apprentices. This is a really critical role that the SEC will have to not just accelerate or bring forward investment in projects and accelerate the projects but also ensure that we use the pipeline of projects that it will invest in to really drive the opportunities for our young people to have apprenticeships and traineeships as part of those projects being built.

**Michael GALEA:** Thank you, Minister. Particularly with regard to that Melbourne renewable energy hub in Plumpton – which I know my colleague the Chair, being close to that area, is very excited about as well – can you talk to me about how that is going to provide for things and initiatives that would not otherwise be able to be supported by the private sector?

**Lily D'AMBROSIO:** Yes. What is important with the Melbourne renewable energy hub is where it is strategically located. Its effect will be to actually help to grow capacity in about three different renewable

energy zones – the way that the battery can function. Located where it is, in Plumpton, it is actually quite strategic, so not only has the SEC caused or brought this project to a financial close, an investment decision, but its location and its proximity to three renewable energy zones and where the transmission lines come in will mean that it will actually unlock opportunities for other renewable energy projects by the private sector to be built across three renewable energy zones. So you have got to see the multiplying effects here.

The fact is that in Victoria we have got a lot to be built between now and 2035. The SEC will be a major player in the market, but the majority of projects that still need to be built for us to achieve our transition in a smooth way that keeps power supply on and bills down will still be delivered by the private sector. These three things can work well together, and they are.

**Michael GALEA:** Thank you, Minister. We spoke in the previous session about power prices and the Victorian default offer coming down this year by around \$100, which is fantastic and evidence of the investment in renewable energy. On the SEC projects in particular, how will they also contribute to those lower power prices that you mentioned?

**Lily D'AMBROSIO:** Well, we know that the SEC's mandate is to invest in renewable energy projects – not nuclear, which would send people's power bills skyrocketing. Nuclear is not part of the SEC's mandate or constitution. It will be investing in the cheapest form of new electricity that you can build, build quickly and have that smooth transition. That is what will keep not just the lights on in Victoria but Victoria's wholesale prices the lowest in the national electricity market. I am really pleased with that. I am really pleased that the SEC, under Chris Miller's stewardship, has been able to deliver, and it will continue to deliver. It will not be about nuclear. It is about electricity that is owned by Victorians, for Victorians – putting power back in their hands.

**Michael GALEA:** Of course that will be done in the near term as well, without having decades to spend billions and billions of dollars to put nuclear reactors in our backyards too.

**Lily D'AMBROSIO:** Exactly.

**Michael GALEA:** So that is very good. The future investments that will be made by the SEC: Minister, can you talk to me about what you expect to see there?

**Lily D'AMBROSIO:** Thank you. Obviously there are a number of things that are commercial in confidence in negotiations, but one thing is very clear: when the SEC published a strategic plan to guide the SEC's investments and other activities over the next 10 years, of course the pioneer investment mandate was the one that kicked it all off. Can I say to you we had a massive oversubscription of private investors that were wanting to partner with the SEC to either bring forward projects that were not viable or indeed build new projects. I know the SEC is continuing to engage with a number of those proponents that came into that first investment frame, that pioneer investment mandate, that process, and it will continue to work with those proponents to identify the future best opportunities for the SEC to invest in. But there will be a lot happening, and it is simply a matter of time. We will see some further announcements made by the SEC once they have completed their processes.

**Michael GALEA:** Thanks, Minister. Victoria has for a long time now had the strongest renewable energy targets in the nation. How will the Melbourne renewable energy hub and some of these other future SEC projects help us to achieve those targets?

**Lily D'AMBROSIO:** That is right. We know that we have got a lot of work to do, and a lot of work has been done already. We have set very ambitious renewable energy targets in Victoria, and we have met every single one. We have now legislated of course earlier this year updates to our renewable energy targets and updates to our emission reduction targets, and actually we are the first state to legislate the biggest storage targets in the country also. The SEC is committed to directly providing 4.5 gigawatts of the 25 gigawatts of new capacity that needs to be built by 2035. It will be a significant market enabler. It will be there guiding the market and accelerating the build, and this is all about –

**The CHAIR:** Excuse me, Minister.

**Lily D'AMBROSIO:** making sure that we achieve those targets. My apologies, Chair.

**Michael GALEA:** Thank you. Thank you, Chair.

**The CHAIR:** Thank you. We will go to Mrs McArthur.

**Bev McARTHUR:** Thank you, Chair. Mr Miller, other than spending 380,000 taxpayer dollars on marketing in under 12 months, the SEC has to date only made one investment, a minority stake of \$245 million in the Melbourne renewable energy hub. So at what rate, and how exactly, will the SEC support 2.6 gigawatts of renewable generation and storage assets by 2028, as promised by the Premier?

**Chris MILLER:** Thanks, Mrs McArthur.

**Lily D'AMBROSIO:** Was that to you?

**Chris MILLER:** Was that to me, Mrs McArthur?

**Bev McARTHUR:** To you, Mr Miller.

**Chris MILLER:** To me. Thank you. There are a few component parts I think to your question, which I just want to go through in turn. The first is the comment about the expenditure on engagement materials for 2023–24. I think it is important to put that number in the context of what the SEC is trying to do. The SEC is being charged with a really significant mandate of delivering 4500 megawatts of new generation and storage. The target that we are working towards, specifically at the SEC, is 4500 megawatts of renewable generation and storage by 2035. In addition to that, as the minister has laid out, we have really important functions to play in relation to workforce and contributing to the skilling and recruitment of the workforce that is needed to deliver government's overall targets and a really important role in respect of consumers and households. What that is going to mean for the SEC is that we are interacting and engaging with the community on a whole range of activities and engaging with partners on a whole range of activities. I am happy to provide a breakdown of the expenditure that you are talking about, Mrs McArthur. That is able to be done.

**Bev McARTHUR:** That would be good. Thank you very much. On notice – that will be fine.

**Chris MILLER:** Each of those activities is directed towards ensuring trust, awareness and understanding of the SEC across our pillars. In relation to the arrangements for the Melbourne renewable energy hub, as the minister has laid out, it is a significant first investment. It is nearly a quarter of the initial \$1 billion that has been allocated to the SEC. It is \$245 million, the size of our equity investment, and we have quite deliberately taken a minority co-investment in that particular project, with the expectation that as we roll out our investment program we are working towards building to an overall 51 per cent ownership stake across the 4500 megawatts. That will take time. It will be addressed investment by investment, and over time I think you will see investments that involve the SEC taking a majority stake or potentially even 100 per cent of the assets.

**Bev McARTHUR:** Well, just to go to that point, then, Mr Miller, can you guarantee Victorians that all future investments will be majority stakes, as promised by Labor before the last election? Can you assure us of that, Mr Miller?

**Chris MILLER:** The minister might want to make a few comments on that one, Mrs McArthur.

**Bev McARTHUR:** You are in charge of the SEC, Mr Miller, at the moment.

**The CHAIR:** I think Mr Miller has said that the minister has comments around that. The minister to proceed.

**Lily D'AMBROSIO:** Thank you. I will go to this because they were election commitments made by government. We have been very clear all along. The SEC will have a majority stake in the projects across their portfolios, and that is what we will be delivering.

**Bev McARTHUR:** Minister, Premier Allan's media release also quotes her as saying:

We're putting power back in the hands of Victorians, giving them the tools they need to lower household energy bills ...

By how much have retail electricity prices increased in the years since \$1 billion was allocated to the SEC in the 2023–24 budget?



**Lily D'AMBROSIO:** I am happy to announce that today the VDO is taking \$100 off Victorians' power bills in the next financial year, those that are on the VDO, and that is because –

**Danny O'BRIEN:** It is not even back to what we were last year.

**Lily D'AMBROSIO:** Do you want to know what caused that? Because you asked the same questions last year.

**The CHAIR:** Thank you. The minister to proceed. Mr O'Brien to cease the interjections.

**Lily D'AMBROSIO:** But I can tell you what will not happen – the SEC will not be investing in nuclear energy, which is going to send Victorian consumers' power bills through the roof. That is what you want to deliver.

**Bev McARTHUR:** Mr Miller, you have pledged to provide this extraordinary amount of new generation. How much agricultural land will be required to provide this new generation of electricity?

**Chris MILLER:** Mrs McArthur, as the minister said, we are working through what our investment program looks like over the coming financial year and beyond. We are very clear about the criteria that we will use to prioritise investments, but the exact nature, footprint and location of investments will be determined as we roll out the investment program. I cannot give you a figure for that, Mrs McArthur.

**Bev McARTHUR:** In your presentation, Minister, we learned of the need to support the switch to all-electric households. Can I just tell you that to have an all-electric household in Avoca, a modest three-bedroom house of \$380,000, upgraded to Powercor's network, that household would have to pay \$100,000 to be able to access an all-electric household, and that does not include an EV station.

**Lauren Kathage** interjected.

**The CHAIR:** Order!

**Bev McARTHUR:** So how do you propose that people afford an all-electric household, since you are banning gas?

**Lily D'AMBROSIO:** I have said very clearly that we know – and can I just say that Powercor, AusNet, Jemena, CitiPower or United Energy are all distribution businesses. They are privatised – remember that? They are privatised; they need to manage their systems to be able to deal with demand load. That is why I continue to meet with them, talk to them about improving their services, and that is what they need to do. They need to be ready for changes in the energy mix.

**Bev McARTHUR:** But they only have to supply a certain amount of energy to a household. To upgrade it to be all electric you have to personally pay that money.

**Bev McARTHUR:** With all due respect, I mean, they are what you say. I am happy to have some evidence produced by yourself so that I can give you a proper answer.

**Bev McARTHUR:** Absolutely. I think it has gone to your office already.

**Lily D'AMBROSIO:** Please do. I answer every question that you put to me through Parliament and through this committee.

**The CHAIR:** Thank you. We are going to go straight to Mr Tak.

**Meng Heang TAK:** Thank you, Chair, Minister, officials. Still on the consumer as the centre of this SEC, Minister, in your presentation you referred to the SEC's consumer energy solutions: can you please share more details about how this will impact Victorians and help them to reduce their power bills, please?

**Lily D'AMBROSIO:** Thank you. The SEC has three core pillars, and one of them of course is to support Victorians to switch to more electric appliances in their homes, but the problem is –

**Bev McARTHUR:** It costs a fortune.

**Lily D'AMBROSIO:** Well, no, that is incorrect – it is absolutely incorrect. If you want the figures, I am happy to give you the figures, but be factual, okay? The fact is this: in my community I have been in my electorate even just a few days ago, and I have got senior citizens clubs asking me how they can get rid of their gas hot water, right, because they know that swapping out will actually save them money on their energy bills each and every year. So people are voting with their feet, and they are asking questions of members of Parliament to help them take this journey, and it is a journey. But can I just say to you: the SEC's role will be a trusted voice in the community. It will be not about pushing any particular products. There is a market failure here, and the market failure is that Victorians do not really have anywhere they can go, a one-stop shop, to be able to get the advice on their current energy consumption, the types of systems or appliances they have in their home and get advice that they can trust, a one-stop shop, that will actually help them navigate the market. The market can be very, very complex – it is complex; we know that. That is why I am very excited that part of the SEC's job will be to run pilot programs in the second half of this year to be that one-stop shop that Victorians can trust to help them navigate and make the right choices for them. The right choices for them will be absolutely the SEC's key focus, and that is about knowing how to go about getting more electric appliances in their homes so that they can have those ongoing bill savings each and every year.

**Meng Heang TAK:** Thank you, Minister, what are the barriers to home electrification that the SEC has identified so far?

**Lily D'AMBROSIO:** I am sorry, Mr Tak?

**Meng Heang TAK:** The barriers – the difficulties.

**Lily D'AMBROSIO:** I am so sorry. Can you just repeat that?

**Meng Heang TAK:** I am happy to repeat that. What are the barriers to home electrification that the SEC has identified so far?

**Lily D'AMBROSIO:** Thank you. I could not hear that word 'barrier'. Thank you. Well, barriers can be a number of things. Up-front costs can be a barrier. Can I say, though, that that barrier is less if you are considering swapping out appliances at the end of their life because there is going to be an up-front cost anyway. So if your heating system breaks down, space heating, a household will be up for a cost to replace that, or indeed if a hot-water system breaks down there is an up-front cost. The important thing is, though, that right now an average existing Victorian household can save around \$2700 by having all-electric appliances when they combine that with solar PV, and in electrifying, part of the SEC's role will be to provide advice to households about where they can go to get those rebated appliances, those discounted appliances, and how the VEU program can assist them with any replacement costs. The point of that is to reduce the up-front costs of getting appliances installed and then to start to deliver those energy bill savings from day one, and those are ongoing savings. We know that you can do this with the support of the SEC to help navigate the market.

**Meng Heang TAK:** Just a follow-up question, what role will be SEC play in delivering home electrification?

**Lily D'AMBROSIO:** What role can they play?

**Meng Heang TAK:** Yes, thank you.

**Lily D'AMBROSIO:** Well, one thing that has been missing from our energy market since its privatisation by some people around this room is the fact of who you trust – who do you trust?

*Members interjecting.*

**The CHAIR:** Excuse me, Mr O'Brien and Mr McGowan. Cease the interjections.

**Danny O'BRIEN:** Again, if we get invited –

**Nick McGOWAN:** I am just trying to defend –

**The CHAIR:** Mr O'Brien, let me make this very clear to you: you are not being invited to make interjections. The minister is to proceed.

**Lily D'AMBROSIO:** Thank you. The ways that the SEC will help Victorians are: (1) to make it very clear to them that they will not be investing in nuclear energy and (2) to help navigate what is a complex market, sitting down effectively with a householder – what do their energy bills look like, where are they really feeling the pinch and are there things that they can do through Victorian energy upgrades that will help to create greater energy efficiency in their home? That might include weatherproofing or that might include other matters such as swapping out appliances for more energy efficient appliances and then of course providing them with those options and the choices that they can have to make the right decisions for themselves, because we know that navigating the market is really complex, and often people give up. They make inquiries and then they give up, and every day that they give up, they are forfeiting days where they can be saving significant dollars off their energy bills. We want to make sure that Victorians get those energy savings as soon as possible. That is the role that the SEC will play, and we will be testing all of that out through the pilot programs that the SEC will be running.

**Meng Heang TAK:** Thank you, Minister. Talking about the one-stop shops, do you see the SEC's public ownership and role enabling it to better build trust with consumers?

**Lily D'AMBROSIO:** That is true. Trust is really critical, especially when we talk about the energy market. I think if you did a survey about who you trust, if there was a global survey of industry or an Australian survey of who you trust in industry, I think the energy providers would probably rate with real estate agents – no disrespect to real estate agents. Trust is really critical, and the reason why people do not trust is because of the privatised market.

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

**Danny O'BRIEN:** Thank you. Minister, I note in the *Age* on 3 April this year it was reported the government was open to demands to remove the competitive neutrality principles from the SEC. Is competitive neutrality embedded in the SEC structure or will it be exempt from paying public entity financial accommodation levies?

**Lily D'AMBROSIO:** We are absolutely not open to removing a competitive neutrality policy from the SEC. The SEC will operate according to the Victorian government's competitive neutrality policy, which is published on Better Regulation Victoria's website.

**Danny O'BRIEN:** Okay. Will the government rule out any requirement or mandate that public sector entities have to purchase their electricity from the SEC.

**Lily D'AMBROSIO:** We have been very clear that one of the functions of the SEC will be to provide – to be the provider – of 100 per cent renewable electricity to government, and that is what will happen. And can I say, remind everyone, renewable energy is the cheapest form of electricity that you can build.

**Danny O'BRIEN:** So will public sector entities be forced to purchase directly from the SEC?

**Lily D'AMBROSIO:** This is going to deliver a range of benefits –

**Danny O'BRIEN:** No, no, I am asking the question.

**Lily D'AMBROSIO:** I will answer. Yes, I am. There is a range of benefits the SEC will provide to government customers. They include a range of behind-the-meter solutions as well as using government load to support investment in renewable energy generation and storage, hospitals –

**Danny O'BRIEN:** Minister, can you answer the question please?

**Lily D'AMBROSIO:** Yes. I have said to you clearly that the Victorian government has a policy to source all of its electricity by 2025 from renewable sources, and the SEC's function will be to deliver just that.

**Danny O'BRIEN:** So will schools and hospitals, for example, have to purchase their electricity directly from the SEC?

**Lily D'AMBROSIO:** I am sorry, what?

**Danny O'BRIEN:** Will schools and hospitals have to purchase directly from the SEC?

**Lily D'AMBROSIO:** The advantage of the SEC will be that it will have a collective purchasing power which will then deliver the best prices possible to government entities. When you take account of all of the government load brought together, it gives the SEC significant purchasing power to drive and deliver the best-priced electricity to Victorian government agencies, including schools and hospitals – they will benefit from this.

**Danny O'BRIEN:** But the question is: will they be forced to? It is a simple question.

**Lily D'AMBROSIO:** They will be forced to have cheaper power bills, yes.

**Danny O'BRIEN:** Really?

**Lily D'AMBROSIO:** Yes.

**Danny O'BRIEN:** To align with competitive neutrality principles, will the SEC charge consumers to offset its public advantages?

**Lily D'AMBROSIO:** I am sorry, can you ask that again?

**Danny O'BRIEN:** To align with the competitive neutrality principles, will the SEC charge consumers to offset its public advantages?

**Lily D'AMBROSIO:** I will ask Chris to take that, thank you.

**Danny O'BRIEN:** Thanks, Mr Miller.

**Chris MILLER:** Thanks, Mr O'Brien. As we have designed the SEC we have looked very carefully at the competitive neutrality policy that is published on the Better Regulation website, and the policy is very much aligned with the national competition reforms that were undertaken in the 1990s. What, essentially, that requires is that the first question to ask is whether or not the SEC has a net comparative advantage by virtue of its public ownership. If the answer to that question is yes, then the next question is what steps need to be taken, if any, to neutralise that advantage. From where we stand at the moment, and the way the entity has been designed and this competitive neutrality framework has been embedded in the operations of the entity, there is a threshold question as to whether there is in fact a net comparative advantage by virtue of the SEC's public ownership relative to other entities.

**Danny O'BRIEN:** Okay. Thank you. Mr Miller, before when we asked about marketing funds and you said you had some figures, were you actually prepared to give them to us now or did you just take them on notice? I thought you might have actually had them there.

**Chris MILLER:** What I can do is take that on notice. What I was referring to, Mr O'Brien, was some materials that had been provided under an FOI request previously.

**Danny O'BRIEN:** But you do not have an updated figure now?

**Chris MILLER:** No.

**Danny O'BRIEN:** Okay. That is fine. Can I ask how many of the 59,000 jobs have been created to date? That is possibly one to the Secretary.

**John BRADLEY:** Mr O'Brien, we do have figures in relation to employment creation and change in the energy sector in Victoria. I do not have them to hand. If you are happy, we can take that one on notice.

**Danny O'BRIEN:** That would be great. Thank you. A question of clarity: will any people in Victoria working on renewable energy projects work for the SEC – be employed by the SEC?

**Chris MILLER:** Yes. Thanks. It is an important question. The SEC will, through its activities, undoubtedly drive a huge range of job opportunities. The nature of the employment of individuals will depend project by

project. There will undoubtedly be a whole range of people working on our projects, whether they are engineers

**Danny O'BRIEN:** What I am trying to get at – it should be fairly clear: will the SEC be running any of these projects, or will you just be an investor?

**Chris MILLER:** I think that there is every chance, as the SEC matures and establishes itself and as it takes different stakes in projects, it could be in a position where it is responsible for the operation and delivery of a project.

**Danny O'BRIEN:** Okay. Will the SEC invest in offshore wind, or is it outside its remit, being outside Victorian waters?

**Chris MILLER:** This is not an immediate priority for the SEC. The important thing for the SEC and for government is to let the important work of offshore wind take place. We know that there is a lot of important work in determining how to stand up that industry and support its investment in Victoria.

**Danny O'BRIEN:** Yes. Minister, you said last year that you would not go to transmission and distribution, but you did not rule out retail. Will the SEC go into retail and become a retailer?

**Lily D'AMBROSIO:** The SEC will be a retailer to the Victorian government for its electricity load.

**Danny O'BRIEN:** What about to the punters?

**Lily D'AMBROSIO:** Look, that is something for the SEC to determine longer term. You need to obviously develop up a portfolio before you can be a retailer, and that is what the focus of the SEC will be, to deliver that 4.5 gigawatts of new electricity.

**Danny O'BRIEN:** Mr Miller, will the SEC annual report detail how it has lowered power prices every year?

**Chris MILLER:** The annual report, Mr O'Brien, will comply with all of the requirements that we are required to meet under the governing legislation.

**Danny O'BRIEN:** This is one of the key functions of the SEC.

**The CHAIR:** Thank you, Mr O'Brien. Your time is up. We are going to Ms Kathage.

**Lauren KATHAGE:** Thank you, Chair, Minister, officials. I am also interested in the jobs side of things. In your presentation you said 59,000 jobs by I think you said 2035. Can you explain how SEC will help deliver these new jobs?

**Lily D'AMBROSIO:** We know that there are significant opportunities here for Victoria's young people but also those who are transitioning from different industries or indeed from the energy sector but for new opportunities. That is why the SEC was a key government election commitment made, but so was establishing the SEC centre of training excellence. We know that the types of jobs that we will need to have filled by Victorians will be significant – 59,000. We need to make sure that Victorians are ready with the skills to be able to fill those vacancies at the time that we need them. It will not all just magically be in 2035, we will need them from today. The government has invested a lot in training. Minister Tierney has done a great job in doing that and is continuing to deliver. But the SEC will also have a very strategic role to play in the centre of training excellence, because we have also made a commitment that of the 59,000 jobs that we will be creating because of our ambitious targets, 6000 of those will be filled by apprentices and trainees. The business case is being developed now. There was money in the previous budget to develop up the business case for the SEC centre of training excellence, and more will be said on that front in the coming period.

**Lauren KATHAGE:** Thank you. We have got fabulous students studying environmental science at my local high school, so I know this is of real interest to people in my community. You mentioned TAFE, so how will the SEC collaborate with stakeholders and industries to bring these to bear?

**Lily D'AMBROSIO:** That is really important, because we know that the TAFEs are doing a fantastic job and they need to continue doing what they are doing. We need to make sure – and that is why the business case

is being worked on – that the SEC centre of training excellence sits alongside of the existing systems that we have. The SEC will need to engage and it will continue to engage with the industry in a number of different ways, and the partnership with stakeholders and industry will ensure that there is the attraction, creation and retention of those jobs. Firstly, last June the SEC held the SEC energy, jobs and skills forum. That brought together more than 300 employers, worker representatives, VET providers, universities, TAFEs and traditional owners to discuss renewable energy skills and workforce priorities. This has informed the work on the SEC centre of training excellence, where stakeholder engagement continues, with one-on-one engagement with representatives, and it is about forming partnerships. We know that globally where the move has been with training and skills development with the types of energy transition that is underway that we need to workforce that is ready for the new technologies, whether they are wind energy – onshore or offshore; renewable hydrogen; the new technologies that come with our battery storage and other storage technologies. That is why the SEC will be a significant market player and will help really drive that work towards having those apprentices and trainees filling jobs that the SEC will help accelerate and deliver here in Victoria.

**Lauren KATHAGE:** So, will the SEC have a role in promoting careers in renewables?

**Lily D’AMBROSIO:** Absolutely. The SEC is already doing work on the ground – going to career nights, going to schools, holding forums. That will be ramping up very, very soon when the SEC will be out there in schools providing advice about what the SEC is about, what the renewable energy transition is and what the job opportunities are there for them, whether they are boys or girls. We want to make sure that diversity is also part of our future in terms of the jobs. Chris may wish to add to that perhaps in terms of school visits.

**Chris MILLER:** Yes, thanks, Ms Kathage. We have already, as the minister said, begun a lot of engagement with TAFEs and with secondary schools. Just over the course of the last six months or so we have attended or participated in no fewer than nine career events ranging from youth summits in Gippsland to careers expos in Traralgon. We participated in the net zero careers fair late last year, at which the strategic plan was launched. We have been involved in a couple of tech school industry immersion programs, which bring together secondary students from a range of nearby schools to work in the context of a VET environment. Those have been really well attended, and the interest in the SEC has been really high. We have participated in a VCE and careers expo with a reach of around about 22,000 students and those associated attending. We have also attended a Department of Education tech and trades fit expo, which had a reach of about 3000 students. So we know this is a really important priority for the SEC to get to secondary school students to increase the awareness not just of the importance of the transition and measures to address climate change but the specific pathways that are available to them to move into productive careers in renewable energy.

**Lauren KATHAGE:** Thank you. Yes, I know Whittlesea Tech School has done some interesting things in the sustainability space, and it amazes me to think that for my daughter in grade one now her future job maybe has not even been created yet, does not exist yet, so as the technology evolves and as things happen we will see new jobs created. What work has been undertaken, Minister, to understand these jobs that are coming?

**Lily D’AMBROSIO:** Well, that is really critical. When you think about the investments that this government is making, we are doing a few things. One of course is the work that the SEC is doing and will ramp up – the work around the SEC centre of training excellence – but there are also funds that are being delivered via the Minister for Education in schools around those new courses that students can sign up to and be ready for when they move into a tertiary education setting, whether it is TAFE or university or even VET courses in later years of secondary school. We are also, separate to that –

**Lauren KATHAGE:** Thank you, Minister.

**The CHAIR:** Apologies, Ms Kathage. We are going to Mr Puglielli.

**Aiv PUGLIELLI:** Thank you, Chair. Good morning.

**Lily D’AMBROSIO:** Good morning.

**Aiv PUGLIELLI:** The SEC’s first investment was in the battery project in Melton we just heard about earlier. It was announced last year. Could I just confirm, is construction still on track to be delivering power from that for next year?

**Lily D'AMBROSIO:** I believe that is absolutely on track, yes.

**Aiv PUGLIELLI:** Great, thank you. The government took a minority stake in that project despite at the time of the initial announcement on the website – the quote:

...the government will own a majority in each new project.

You then, Minister, said that the government will have a controlling interest across its portfolio projects. I think you have just reiterated that today. Could I just clarify, what exactly does a controlling interest across the portfolio mean? Does that mean the average level of government ownership across the portfolio will be 50 per cent plus 1? I think we heard a 51 per cent figure earlier. Could you just clarify for me, please?

**Lily D'AMBROSIO:** Well, over the whole of the portfolio, 4.5 gigawatts, the SEC will build up a minimum of 51 per cent equity interests.

**Aiv PUGLIELLI:** Okay. So some of those may still be a minority stake, but in total across the portfolio –

**Lily D'AMBROSIO:** In total, that is right.

**Aiv PUGLIELLI:** Right.

**Lily D'AMBROSIO:** And as Chris said in an earlier question, there may indeed be projects where it is 100 per cent equity owner.

**Aiv PUGLIELLI:** Okay, thank you. Do you have a view as to when the Labor government will achieve the controlling interest across the portfolio? When can we expect that?

**Lily D'AMBROSIO:** Well, look, that is something for the SEC to work through, and they will advise us in terms of how each project that they wish to advise on will contribute to that commitment that we have made. Can I say, though, that even in just the Melbourne renewable energy hub, the big facility that is being built right now, the SEC will actually own 100 per cent of dispatch rights over one of the 4-hour batteries there. These things can vary depending on what it is that you are investing in. Because of the nature of that project, there are I think three battery components to it that can perform different functions in the market, and the SEC will have 100 per cent rights over one battery in terms of how it is dispatched. That is about the SEC ensuring that it has the ability to be the retailer for government, ensuring that it can manage the delivery of variable renewable energy mixed with the firming capacity that is needed.

**Aiv PUGLIELLI:** That advice from the SEC itself as to when you are going to achieve the controlling stake, have you received that yet?

**Lily D'AMBROSIO:** No, but if you think it through, each investment decision that the SEC will make will be taken on its merits and what it will provide to the state, based on a particular proposal that comes forward, what the shape of that will be. But I am very confident – I know that the SEC will have an eye to ensuring that it will deliver on the government's commitment that over the entire portfolio there will be at least a 51 per cent ownership of the projects.

**Aiv PUGLIELLI:** Okay. Just to go into that a bit further, could you outline for the committee what the tangible benefits are from holding that majority ownership across the portfolio rather than in each individual project?

**Lily D'AMBROSIO:** Look, I think what is important is that the SEC is starting from scratch. The Victorian government has not owned an electricity generator in almost 30 years. That is a fact. So we have got to start. We are starting from scratch. The SEC has been able to start really fast, but it is going to take a while to build up the portfolio. With every new project that the SEC will invest in, its ability to be able to exercise its role in the market will also grow as will its ability to provide other services. If I may, I am happy for Chris to be able to give you some more detail, if you like, on that.

**Aiv PUGLIELLI:** Briefly, if that is okay, yes.

**Chris MILLER:** Yes, I am very happy to supplement.

**Aiv PUGLIELLI:** Thank you.

**Chris MILLER:** Thanks for the question, Mr Puglielli. So I think one of the key benefits the SEC brings as it participates in projects is the fact that the SEC's participation in the project will inevitably bring forward or upscale or enable an investment that would not have otherwise occurred at the same speed, if at all, at that scale. As we move towards the 51 per cent target across the portfolio, on a project-by-project basis, to your question, the focus for us is ensuring that the SEC's participation is bringing something additional – that through a public ownership model we are actually adding something to what was already due to occur. That could include, to the minister's point, the negotiation of those dispatch rights over batteries where we do have 100 per cent control over how particular assets are dispatched to ensure that they are dispatched in a way that delivers value for our Victorian customers.

**Aiv PUGLIELLI:** Thank you. In terms of –

**Lily D'AMBROSIO:** If I may just – sorry – even with a minority interest you are still getting returns on the investment anyway, so that will then be reinvested in other projects.

**Aiv PUGLIELLI:** Ah, okay.

**Lily D'AMBROSIO:** The benefits are there in any scenario.

**Aiv PUGLIELLI:** In terms of reaching the full 4.5 gigawatts of renewable energy generation and storage, how much more investment, roughly, in dollars do you think we need to get to that goal, and when will that investment be made?

**Lily D'AMBROSIO:** We always said that the SEC would start with an initial \$1 billion. They have already made great use of some of that, and more projects are coming. This will be assessed as the SEC makes its investment decisions in terms of what the next steps may be.

**Aiv PUGLIELLI:** So there is not a figure to hand that you can provide to the committee?

**Lily D'AMBROSIO:** No.

**Aiv PUGLIELLI:** Okay.

**Lily D'AMBROSIO:** That is going to depend on the prices, the cost of these things – global supply chain costs and the rest that flow from that.

**Aiv PUGLIELLI:** For sure. Just a quick department question. I understand the batteries at Melton total 600 megawatts. Can I just clarify: in terms of the 4.5 gigawatts, are you counting the 600 megawatts towards the 4.5 gigawatt target, as in you have got 3.9 gigawatts to go?

**Chris MILLER:** I can answer that really quickly. Yes is the answer. It is new additional storage capacity that would not have been available but for the SEC's investment last year.

**Aiv PUGLIELLI:** Okay. Thank you. Thank you, Chair.

**The CHAIR:** Thank you very much, Mr Puglielli. We are going to go straight to Mr Hilakari.

**Mathew HILAKARI:** Thank you, Minister. Certainly in talking through your presentation here much of the questions that have been asked so far have been about the SEC and its achievements. The SEC is just such a great project and was so well talked about before the election – and even the opposition cannot stop talking about it; it is such an exciting project.

**Danny O'BRIEN:** We are rapt with the one job that we got in Morwell.

**Mathew HILAKARI:** Well, there we go: one more than without the SEC. That is fantastic.

**Danny O'BRIEN:** Would you like to cede your time so that I can ask some more questions?



**Mathew HILAKARI:** I appreciate the interruption, and it goes to my point: the opposition cannot stop talking about the SEC because it is so exciting. I am just hoping you can talk through some of the achievements.

**Lily D'AMBROSIO:** Just before you wanted us to invest in gas; you wanted us to own gas. Now you do not want us to own the SEC. Okay.

**Danny O'BRIEN:** You said you were going to invest in gas. You invest in electricity. What is the difference?

**The CHAIR:** Mr O'Brien, do not get wound up. Mr Hilakari.

**Mathew HILAKARI:** Thank you, Minister. I hope you can talk through some of the achievements so far.

**Lily D'AMBROSIO:** I am so sorry – was that the question or the context?

**Mathew HILAKARI:** I am hoping you can talk through –

*Members interjecting.*

**Mathew HILAKARI:** The SEC is actually just amazing. I actually doorknocked some houses before the election which still had some of those references to the SEC there. I think all of us can talk about those people that you know, in your family or your friends, who have been employed by the SEC. With the new SEC I would like to talk about what achievements you have been achieving since November 2022.

**Lily D'AMBROSIO:** What achievements – yes, I am absolutely happy to go to that. Apart from of course the Melbourne renewable energy hub, the SEC is very soon going to launch into the consumer-facing pilot program. We will have more to say on that very soon. It will be taking over the government electricity demand and be the retailer to that, and work is underway to ensure that it will be in a position to be able to do that. The work on the centre of training excellence is also well underway – the SEC centre of training excellence. Of course we have got the enduring board, which has already been set up, from 1 May. That board is already turning its mind to the next investment decisions, and they are very, very prospective. So there is no time being wasted here. There are lots of businesses out there, lots of market participants, private businesses and industry, that are really keen to invest with the SEC. Do you know why – because it is government-backed and it is there for the people. It is about giving community a share in an industry that is a growth industry. Victorians deserve to have a return on their investments. That is why the SEC will be there, and it is also making sure that the SEC will be a voice, and a trusted voice, for Victorian consumers.

**Mathew HILAKARI:** I just want to go some of those elements of trust and the SEC board in particular, which you have mentioned. How were they selected, and can you tell me a little bit more about the board members?

**Lily D'AMBROSIO:** Yes.

**Mathew HILAKARI:** That goes to the fundamental element of future prospective programs.

**Lily D'AMBROSIO:** Thank you. The SEC board from 1 May of course now is the enduring board. The SEC implementation office conducted a very robust recruitment and selection process. Each of the independent directors selected bring significant expertise and experience, and they represent excellence in their areas of expertise. I have got every confidence in their ability to oversee the SEC to ensure that it does meet its strategic objectives and deliver the benefit of government-owned energy to all Victorians.

The skills-based board – the process made sure that there was a skills matrix that was developed for the SEC, because the SEC's functions are very unique in terms of how we would understand them in Victoria given that we have not owned any electricity assets for decades. The board consists of Simon Corbell as the chair, who comes with fantastic experience not just in the policy sense but also in delivery and investment, Joycelyn Morton, Anna Skarbek, Damien Barnes and Jo Benvenuti, all of them bringing together all of the elements that give the SEC board all of the necessary skills to ensure that the SEC goes from strength to strength and delivers on the election commitments that we made at the end of 2022.

**Mathew HILAKARI:** I had a principal in one of the local schools come to me recently to talk about how they can reduce their energy costs. They have got a lot of gas heaters onsite, and they are looking at reducing those costs because they would like to see that money directed to students, not to their power bills. So I was really pleased when you talked a few moments ago under some of these questions around being the retailer to government. Can you just talk us through some of those elements and how they are going to reduce energy costs, because schools are already saying it to elected representatives across the state, so I am pleased the government is listening.

**Lily D'AMBROSIO:** Yes, I am sure they are saying it to some members who are choosing not to explain that to us.

**Mathew HILAKARI:** They might not even go to schools, some of them.

**Lily D'AMBROSIO:** But yes, definitely, everywhere I go I am hearing the same question: 'How do we save money? Because this is killing us in terms of costs.' That is why the SEC will actually help – by being the retailer for government agencies, including every hospital, every train station, everything that government owns. That will help to deliver downward pressure on energy bills. Now, in terms of gas appliances that may be operating in schools, there will be potentially a role for the SEC in terms of providing that advice about how you navigate the system and how you work through this to ensure that you can actually keep saving on your energy bills. Through the pilot programs that are being run the SEC will start with households first and then, once the pilot is tested –

**Mathew HILAKARI:** We are so excited to see it rolled out further.

**Lily D'AMBROSIO:** the SEC will provide advice from the findings about what the next steps are and how we grow that community-facing, consumer-facing support for that trusted voice which is the SEC for not just households but of course businesses potentially and government entities such as schools.

**Mathew HILAKARI:** That is fantastic. Thank you, Minister. I am going to run out of time, so I really just appreciate all the work that is going on with the SEC.

**The CHAIR:** Thank you very much, Mr Hilakari. Minister and officials, our time together for this session has come to an end.

**Danny O'BRIEN:** Can we have an extension for Mr Hilakari?

**The CHAIR:** Mr O'Brien, I know how much you enjoy having Minister D'Ambrosio appear before us. Do not worry; she will be back.

The committee is going to 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 going to take a short break before beginning its consideration of the climate action portfolio at 11:20 am.

I declare this hearing adjourned.

**Witnesses withdrew.**