

Electrical Trades Union Queensland Branch
41 Peel Street
South Brisbane 4101



SUBMISSION

Senate Select Committee on Certain Aspects of
Queensland Government Administration related to
Commonwealth Government Affairs

Authorised by P J Simpson, Secretary.

Executive Summary

The Electrical Trades Union (ETU) is the Electrical, Energy and Services Division of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU). The ETU represents approximately 65,000 workers electrical and electronics workers across the country and the CEPU as a whole represents approximately 100 000 workers nationally, making us one of the largest trade unions in Australia.

The Electrical Trades Union of Australia, Queensland and Northern Territory Branch welcomes the opportunity to submit to the Senate Select Committee on Certain Aspects of Queensland Government Administration related to Commonwealth Government Affairs in relation to matters pertaining to the energy sector.

Since being elected to government in 2012 the Campbell Newman led Liberal National Party (LNP) has implemented an aggressive reform agenda in the energy sector that has thus far resulted in over 36.2% increases to residential electricity prices, cutting over 1750 jobs from the public energy sector, closed or reduced regional and remote energy services and announced plans to privatise all taxpayer owned generation, transmission, distribution and retail energy assets.

The ETU is highly concerned with certain actions, events and decisions in the energy sector that involve the Newman LNP Government, state owned energy corporations, Liberal National Party donors and their lobbyists.

ERM Power is a private electricity generation company that operates in the federally regulated National Electricity Market where it competes with other public and private generators, including Queensland State owned generation corporations CS Energy and Stanwell.

ERM Power donated \$16 500 to the Newman Government shortly after it was elected in 2012 and five days later the Chairman of ERM Power was appointed the head of an energy sector review panel by the LNP Government.

The relationship between ERM Power and the LNP also includes Premier Newman officially opening ERM Power's Brisbane office in 2013 and the Energy Minister meeting with ERM Power and their lobbyists at least five times, including dinners at the exclusive Queensland Club.

Additionally, the LNP held a political fundraiser in ERM Power's boardroom and invited an ERM Director to participate in an LNP Energy and Water Policy Committee discussion at parliament house.

Alarming, it would appear that based on all available evidence the LNP fundraising dinner in 2013 has failed to be declared in the Energy Minister's diary and an ERM boardroom lunch in 2014 has failed to be declared in the Queensland Integrity Commission Lobbyist Contact Log.

It would appear that ERM Power has been afforded what amounts to almost unfettered access to the government, far in excess of most other energy industry stakeholders, and has been deeply involved in LNP energy policy discussions and political activities. Over the same time the commercial performance of ERM Power has been what can only be described as 'stellar', posting a 32% increase in revenue (over \$2 billion) and a 263% increase in profit in 2014¹.

The ETU believes that such a close, constant relationship between a government and one of its political donors that is deliberately kept from the public falls well short of the expected public standards of openness, accountability and transparency. We believe that the Newman LNP Government relationship with ERM power should be thoroughly examined by the Select Committee for further investigation using the full powers at the Committee's disposal.

¹ ERM Power Annual Report 2014. www.ermpower.com.au

Queensland LNP Government Relationship with LNP Donors in the Queensland Energy Sector

The ETU is highly concerned with certain actions, events and decisions that involve the Newman Government, state owned energy corporations, private generators who are Liberal National Party donors and their lobbyists.

ERM Power is a private electricity generation company that operates in the federally regulated National Electricity Market and competes with other public and private generators, including Queensland State owned generation corporations CS Energy and Stanwell.

It was revealed by Electoral Commission Queensland donation disclosure documents that private generation provider ERM Power Limited made a political donation of \$16,500 to the LNP Government on 25 May 2012 (Attachment 1). Then, only five days later on 30 May 2012, the Queensland Government issued a media release² announcing ERM's Non-Executive Chairman Mr Tony Bellas had been appointed to Chair an ostensibly 'independent' review panel into the Queensland electricity industry. The panel was tasked with a wide ranging review of the Queensland energy sector that encompassed energy supply, networks and retail.

The government media release is quoted saying:

“Tony Bellas has over 23 years in senior public and private sector management including as former CEO of Ergon Energy 2004-2010 and CS Energy Ltd 2001-2004.”

We find it extremely curious that his current position of ERM Power Chairman was omitted.

² <http://statements.qld.gov.au/Statement/2012/5/30/irp-set-for-electricity-price-reform>

The Independent Review Panel (IRP) Report³ into Network Costs was finalised in early 2013 and contained a specific recommendation to privatise 34 isolated generation assets currently owned and operated by Ergon and to consider full privatisation of all Queensland electricity networks.

Recommendation 29 The Government call for expressions of interest from the private sector to operate and maintain the isolated supply assets in Queensland as an independent power producer.

Recommendation 43 – the Government give consideration to the privatisation of the Distribution Network Service Providers.

This is despite the Panel Chair being the serving Chairman of an electricity generation company and the fact that privatisation was outside of the scope of the Panel Terms of Reference.

Documents recently obtained under Right to Information laws in have revealed that the relationship between ERM Power and the Newman Government go far beyond a political donation.

On 13 June 2012, approximately two weeks following the ERM Chairman's government appointment, the Energy Minister and the Director General of the Department of Energy and Water Supply met with ERM Power and the CEO of lobby firm SAS Group (Attachment 2) who represents ERM Power.

In July 2012 the Energy Minister met with ERM Power and their lobbyists SAS Group as part of the LNP 2012 Convention Business Observers Program (Attachment 3).

On 7 August 2012 the Energy Minister had dinner with ERM Power and their lobbyists SAS Group in the Library Room of the Queensland Club (Attachment 4).

On 23 April 2013 Premier Newman launches⁴ ERM Power's new Brisbane Offices.

³ <https://www.dews.qld.gov.au/policies-initiatives/electricity-sector-reform>

⁴ <http://www.ermpower.com.au/premier-opens-new-erm-power-headquarters/>

On 19 June 2013 the Energy Minister attended a LNP political fundraiser in the ERM Power Boardroom, Level 52, 111 Eagle Street, Brisbane (Attachment 5). We note that it appears this event was not publically disclosed in the Energy Minister's diary as is required by the transparency measures implemented by the Premier. This is discussed further later in this submission.

On 5 February 2014 the Energy Minister had dinner with ERM Power and their lobbyists SAS Group in the Library Room of the Queensland Club (Attachment 6).

On 11 March 2014 the Energy Minister had a boardroom lunch with ERM Power and their lobbyists SAS Group at Level 4, 270 Adelaide Street, Brisbane and the issues of the Queensland 30 Year Energy Strategy, Solar Feed In Tariff Reform, Asset Sales, the Renewable Energy Target, Gas Prices, Electricity Price Monitoring and Network Reliability Standards were most likely discussed (Attachment 7). We note that SAS Group lists their offices as Level 5, 270 Adelaide Street, Brisbane. We also note that event is not recorded on the Queensland Integrity Commissioner's Lobbyist Contact Log. This is discussed further later in this submission.

On 25 March 2014 Mr Trevor St Baker, a Director of ERM Power was invited to the LNP Energy and Water Committee meeting at Room 504A at Parliament House Brisbane (Attachment 8).

On 28 March 2014 ERM Power and their lobbyists SAS Group met with Mr Ross Musgrove⁵, Chief Operating Officer and Deputy Director General of the Department of Premier and Cabinet.

⁵ <http://lobbyists.integrity.qld.gov.au/contactlogdetails.aspx?id=343>

Ministerial Diaries

Queensland Government Minister and Assistant Ministers are required to publically disclose their diaries on a monthly basis. The Queensland Government website states⁶ that:

“Premier Campbell Newman and his Cabinet Ministers publicly release information about all portfolio related meetings and activities from their diaries.

This is the first time in Australia that diaries of a Premier or Prime Minister and their Ministers have been made publicly available. It demonstrates the government’s commitment to accountability and transparency and is about bringing the operation of government out into the open.

Ministerial diaries are published retrospectively, with the diary for one month being published at the end of the following month. For example, July diaries are published on the last day of August.”

Therefore, it is extremely concerning that it appears that two clearly relevant events have been omitted from the diary of the Energy Minister.

The first is the Minister’s attendance on 19 June 2013 at the LNP political fundraiser in the ERM Power Boardroom, Level 52, 111 Eagle Street, Brisbane (Attachment 5). We are also of the view that it would be reasonable, on balance, to expect that ERM lobbyists SAS Group were also in attendance at this event.

The second is the LNP Energy and Water Policy Committee meeting that occurred on 25 March 2014 at Room 504A at Parliament House Brisbane to which Mr Trevor St Baker, a Director of ERM Power was invited (Attachment 8). While it is not clear if the Minister personally attended, the event was clearly being organised by the Minister via his Office Manager and we believe this clearly falls within the stated

⁶ <http://www.cabinet.qld.gov.au/ministers/diaries.aspx>

scope of government requirements to “*publicly release information about all portfolio related meetings and activities*” .

Further, the Ministerial Charter Letter from Premier Newman to Minister McArdle⁷ states:

“I expect that at all times Ministers will demonstrate to the public the capabilities and behaviours that will define us as the Government we undertook to be – united, energetic, disciplined and ethical”

In our view it is clear that the Energy Minister has not met the requirement to publically disclose his diary details and therefore is in potential breach of the ethical requirements of his ministerial charter, as directed by the Premier.

We recommend:

- 1. *The Committee should consider calling to hear from the Energy Minister directly as to why these events were omitted from his diary.***
- 2. *The Committee should consider finding that this a gross breach of Ministerial duties and expected public disclosure and transparency standards.***
- 3. *The Committee consider calling to hear from representatives from ERM Power, including Chairman Mr Tony Bellas.***

SAS Group Lobbyist Activities

The Integrity Act 2009 section 42(1)(a) defines⁸ lobbying activities as contact with a government representative in an effort to influence state or local government decision-making, including—

⁷ <http://www.cabinet.qld.gov.au/charter-letters/charter-letters-mark-mcardle.aspx>

⁸ <http://www.integrity.qld.gov.au/page/lobbyists/index.shtml>

- (i) the making or amendment of legislation; and
 - (ii) the development or amendment of a government policy or program;
- and
- (iii) the awarding of a government contract or grant; and
 - (iv) the allocation of funding; and
 - (v) the making of a decision about planning or giving of a development approval under the Sustainable Planning Act 2009.

It has been demonstrated that there has been frequent contact between senior members of the LNP Government and ERM Power lobbyists the SAS Group. Under documents obtained under Right to Information the SAS Group representative that most regularly appears on correspondence with the Energy Minister and ERM Power is the Chief Executive Mr Peter Constantini⁹.

Lobbyists are required to log instances of contact with the Queensland Integrity Commissioner's Lobbyist Contact Log.

On 5 February 2014 the Energy Minister attended a dinner with ERM and their lobbyists SAS Consulting at the Queensland Club. This is recorded in the Integrity Commissioner's Lobbyist Contact Log¹⁰ as:

SAS Consulting Group Pty Ltd

<i>Requirements of s3.2 and s3.3 of Lobbyists</i>	Yes
<i>Code of Conduct complied with</i>	
<i>Date lobbying contact occurred</i>	05/02/2014

⁹ <http://www.sasgroup.net.au/en/team/peter-costantini>

¹⁰ <http://lobbyists.integrity.qld.gov.au/contactlogdetails.aspx?id=303>

<i>Client of lobbyist</i>	ERM Power
<i>Title and name of the government or Opposition representative</i>	Hon. Mark McArdle, Minister for Energy and Water Supply
<i>Purpose of contact</i>	Commercial-in-confidence

On 28 March 2014 SAS Consulting and ERM Power met with Mr Ross Musgrove (who it appears was previously the Health Minister's Chief of Staff when he was then Opposition Leader¹¹), Chief Operating Officer and Deputy Director General, Department of Premier and Cabinet. This is recorded in the Integrity Commissioner's Lobbyist Contact Log¹² as:

SAS Consulting Group Pty Ltd

<i>Requirements of s3.2 and s3.3 of Lobbyists Code of Conduct complied with</i>	Yes
<i>Date lobbying contact occurred</i>	28/03/2014
<i>Client of lobbyist</i>	ERM Power
<i>Title and name of the government or Opposition representative</i>	Ross Musgrove, Chief Operating Officer and Deputy Director General, Department of Premier and Cabinet
<i>Purpose of contact</i>	Commercial-in-confidence

However, what is not recorded on the Integrity Commission Lobbyist Contact Log is the 11 March 2014 attendance of the Energy Minister at a boardroom lunch with ERM Power and SAS Group at Level 4, 270 Adelaide Street, Brisbane where the

¹¹ <http://www.couriermail.com.au/news/queensland/john-paul-langbroeks-new-chief-of-staff-once-described-his-boss-as-like-a-french-poodle-and-called-him-tinkerbelle/story-e6freoof-1225900492660>

¹² <http://lobbyists.integrity.qld.gov.au/contactlogdetails.aspx?id=343>

issues of the Queensland 30 Year Energy Strategy, Solar Feed In Tariff Reform, Asset Sales, the Renewable Energy Target, Gas Prices, Electricity Price Monitoring and Network Reliability Standards were most likely discussed (Attachment 7). Not only does it appear that this event was not recorded as required, it would appear it physically took place at the offices of SAS Group.

Additionally, as previously mentioned it is entirely probable that at least one representative of SAS Group was present at the 19 June 2013 LNP political fundraiser in the ERM Power Boardroom, Level 52, 111 Eagle Street, Brisbane (Attachment 5) at which the Energy Minister was present, yet there is no record of this either in the Integrity Commission Contact Log.

In our view the failure to record and/or report at least the 10 March 2014 Boardroom Lunch (and most likely the 19 June 2013 LNP Fundraiser) contacts constitute a clear breach of the requirements under the Integrity Act.

As such we recommend:

4. ***The Committee consider requiring the SAS Group to provide full details as to what discussions took place on each and every occasion they met with the Energy Minister or Senior Qld Government Representative from 2012-14.***

5. ***The Committee consider requiring the Chief Executive of the SAS Group to appear before the Committee as a witness to establish if a SAS representative was present at the 19 June 2013 LNP Fundraiser that took place in the ERM Power Boardroom.***

6. ***The Committee consider requiring the Chief Operating Officer and Deputy Director General, Department of Premier and Cabinet, Mr Ross Musgrove to appear before the Committee to reveal the subject of the discussions held on 28 March 2014.***

ERM Commercial Performance

It is clear that ERM Power has had almost unfettered access to the LNP government since it has been elected and has been deeply involved exclusive LNP energy policy discussions. Over this time ERMs commercial performance has been exceptional.

On 11 October 2012, the Queensland Government owned power generator Stanwell Corporation announced a decision¹³ to 'mothball' generation units into standby status which it subsequently did. This decision was made just prior to what is commonly referred to as the 'summer peak' period¹⁴.

The ERM Power Annual Report 2013¹⁵ shows the company recorded a spectacular revenue growth of 67% for performance over that period.

The 2014 commercial performance of ERM Power can only be described as 'stellar', with the company posting a 32% increase in revenue (over \$2 billion) and a 263% increase in profit in 2014¹⁶.

The ETU is concerned that a private generator can seemingly reap massive revenue benefits following the decision of a state owned generator to 'mothball' generator capacity when there are such direct and extensive ongoing link between the private generator and the Government.

Some of these matters were raised in 2013 with the Australian Energy Regulator (AER) (Attachment 9), unfortunately we have received no response to date. However that could simply be due to the fact that a party such as the ETU may not be entitled to be privy to any investigatory action that the AER may have undertaken and any subsequent outcome(s).

¹³ http://www.stanwell.com/Files/Stanwell_Media_Release_-_Stanwell_to_withdraw_Tarong_Power_Station_units_from_service_-_11_October_2012.PDF

¹⁴ <http://www.couriermail.com.au/news/queensland/price-surges-spark-debate/story-e6freoof-1226551533389>

¹⁵ ERM Power Annual Report 2013, www.ermpower.com.au

¹⁶ ERM Power Annual Report 2014. www.ermpower.com.au

Pending the Select Committee Final Report we are considering our position in relation to providing a further referral to the Australian Energy Regulator to provide updated information for their consideration.

We recommend:

- 7. That the Committee consider contacting the Australian Energy Regulator in relation to appropriateness of the Newman Government and ERM Power relationship, the decision of Stanwell Corporation to place a generation unit on standby in 2013 and whether there was a potential or actual advantage to ERM Power compared to other National Electricity Market generators, particularly within the context of ERM Powers subsequent commercial performance in 2013-14.**

For ease of reference, what follows is a timeline of known interactions between ERM Power and the LNP Government within the context of major government energy sector policy announcements and events.

24 March 2012	LNP Government Elected.
25 May 2012	ERM donate \$16,500 to LNP Government
30 May 2012	Qld Government appoints ERM Power Chairman to lead Electricity Sector Review Panel
13 June 2012	Energy Minister and Departmental Chief meet with ERM Power and SAS Group.
July 2012	Energy Minister meets with SAS Group and ERM Power and SAS Group as part of LNP Convention.
7 August 2012	Energy Minister, ERM Power, SAS Group have dinner at the Queensland Club.
11 October 2012	Decision to place Stanwell generation units on standby just prior to summer peak.
29 October 2012	Stanwell ceases generation at Unit 2 at Tarong Power Station.

- 10 December 2012 Stanwell ceases generation at Unit 4 Tarong (combined removal of 750 Megawatts of base load generation capacity that that is then met by picked up by privately owned generators).
- January 2013 Electricity spot prices in Queensland rise to over \$12,000 per MWh (200 times the long term average of \$50 per MWh).
- 23 April 2013 Premier Newman Launches ERM Power Brisbane Office.
- 30 April 2013 LNP Government announces it will consider privatising state owned generation assets in response to Commission of Audit Recommendations.
- 30 May 2013 LNP Government announces 22.6% increase in domestic electricity prices.
- 16 June 2013 LNP Government announces major reforms of Queensland electricity sector.
- 19 June 2013 Energy Minister attends LNP fundraiser in ERM Power boardroom. SAS Group present. (Not recorded in Minister's diary or lobbyist contact log).
- 30 June 2013 ERM Annual Report 2013 reveals 67% revenue growth.
- 12 December 2013 LNP Government announces intention to seek private investment in GOCs.
- 13 December 2013 LNP Government announces appointment of scoping study advisors.
- 5 February 2014 Energy Minister, ERM Power, SAS Group have dinner at the Queensland Club.
- 6 March 2014 LNP Government announces reform of Solar Feed-in Tariff.
- 11 March 2014 Energy Minister attends ERM Power boardroom lunch in SAS Group building (Not recorded in Lobbyist contact log).
- 25 March 2014 ERM Director Mr Trevor St Baker invited to LNP Energy and Water Policy Committee meeting at Parliament House. (Not recorded in Minister's diary).

- 28 March 2014 SAS Group meet with Mr Ross Musgrove, Chief Operating Officer and Deputy Director General of the Department of Premier and Cabinet.
- 16 April 2014 LNP Government announces reduction in network reliability standards.
- September 2014 ERM Power 2014 Annual Report reveals 263% increase in profit.

Privatisation

It's no secret that the ETU is vehemently opposed to the Government's privatisation plans.

What is of concern for the Committee, in our view, is that the LNP are deliberately trying to misrepresent and obfuscate the facts around their electricity asset leasing agenda. The Government is expecting Queenslanders to vote on the proposal at the next election without having the full facts at their disposal and are happy to spend tens of millions of taxpayer dollars on advertising and business advisory services in the meantime.

Pre Determination of Decision

Despite continually stating on the public record that there will be no significant moves to sell assets without a mandate from voters, the LNP Government has pushed ahead with plans to privatise the state's power network. In fact a majority of the necessary arrangements to facilitate privatisation will already be in place by the next state election.

In December 2013 the LNP announced¹⁷ it had appointed advisors to carry out scoping studies on assets that were under consideration for privatisation. Lazard was appointed to carry out a study on energy generators CS Energy and Stanwell, while Rothschild and Bank of America Merrill Lynch were appointed to 'poles and wires'

¹⁷ <http://statements.qld.gov.au/Statement/2013/12/20/advisors-named-for-scoping-studies>

businesses Ergon, Energex and Powerlink. Additionally, Energy Edge and ACIL Allen were engaged to provide generation and retail energy markets advice.

Then earlier in 2014, the government announced through Ergon and Energex communications (Attachment 10) that it has begun due diligence and advisory through Queensland Treasury Corporate to prepare for the sale or privatisation of the “poles and wires” businesses. This process comes on top of the sums spent on scoping studies last year, which were reported¹⁸ as estimated to be up to \$300 million and include fielding direct enquiries from external investors about the proposals.

These actions make a mockery of the Premier's claim that the government would seek a mandate from voters before progressing any plans to privatise state-owned electricity network businesses, Energex, Ergon and Powerlink.

This pattern of misleading the public by saying one thing on the public record while doing another behind the scenes is reminiscent of the LNP promises and reassurances regarding public servants job security that they had nothing to fear. The LNP Government then went on to sack more than 14 000 including 5000 nurses and midwives, and they tried to cover it up by changing the definition of what constituted a front - line workers. Either LNP are being deliberately deceptive in their public statements or they are treating the Queensland public with arrogant contempt by assuming that he will win the next election.

These issues go directly to the heart of honesty and integrity in government. It is manifestly unjust that the LNP can spend millions in taxpayer funds in an effort to seek an election mandate for a deeply unpopular privatisation agenda.

Additionally, we note that government asset sales was listed as a topic for discussion for the undisclosed boardroom lunch that occurred on 11 March 2014 between ERM Power, SAS Group and the Energy Minister.

We recommend:

¹⁸ Courier Mail, 'City Beat', 3 September 2014.

- 8. That the Committee consider finding that the LNP Government must immediately cease spending taxpayers' money on the Strong Choices advertising campaign until such time as a Queensland general election has been held.**

Leasing Arrangements

The LNP, via the recently released¹⁹ 'Strong Choices' Plan propose a 99 (50+49) year leasing program for state owned energy assets, however the policy document, and the subsequent government statements, have been scant on the details of how the proposed leases would practically operate.

The ETU believes that the LNP Government and the State Treasurer Tim Nicholls in particular, need to answer questions about details of the LNP asset leasing proposal.

Similar leasing arrangements that have been in place in South Australia have amounted to "sale by stealth" which, apart from producing the highest power prices in Australia, have resulted in job cuts, overseas ownership, maintenance issues and leaseholders acquiring networks asset ownership over time. The terms of the comparable South Australian lease, as we understand them, include a provision for any maintenance work undertaken by the new owners, on any plant or equipment, results in that plant and equipment becoming the possession/asset of the new owners. Likewise any new lines, substations, infrastructure built or added to the network during the terms of the lease results in that infrastructure becoming the property of the lease holders.

This leasing scenario is simply a sale by another name. Indeed the current Treasurer Mr Tim Nicholls admitted as much on the parliamentary record in 2010 when he stated²⁰: -

'As anyone would know if they had observed the privatisation of assets, a 99-year lease is as good as giving away the farm, which is what is occurring here.'

¹⁹ <http://statements.qld.gov.au/Statement/2014/10/7/asset-leasing-plan-will-reduce-debt-and-create-jobs>

²⁰ Tim Nicholls MP, Parliamentary Speech 23 March 2010, Hansard Queensland Parliament.

Given the Government will be asking Queenslanders to vote yes to the biggest privatisation program in Queensland's history with an estimated price tag of \$37 billion, we believe the LNP have an obligation to spell out exactly how these leases will work and what will be left, if anything, for future generations.

To date, the information has not been willingly forthcoming from the Government and we believe the Select Committee has a crucial role to play in ensuring that Queenslanders are made aware of all of the facts associated with the Government's proposed plan.

The Queensland Government is a signatory to the COAG National Partnership Agreement (NPA) (published 2nd May 2014) on 'Asset Recycling'.

We refer to the term 'asset recycling' only in specific reference to the title of the NPA. In our view the title is deliberately misleading because the primary purpose of the fund is not to recycle state owned assets, but rather to facilitate their sale and privatisation via commonwealth financial inducements.

As many Committee Members will be aware, a majority of the Senate seemed to concur with that view when it voted earlier this year in July to amend the title of the *Asset Recycling Fund Bill 2014* to include the words "encouraging privatisation" to its title.

With reference to the COAG agreement, the NPA states²¹:

'Under this Agreement, references to the sale of an asset may include alternative ways of unlocking funds from State-owned assets as agreed between the relevant Parties, including long-term leasing.'

This clearly establishes that the Agreement by very definition confirms that long term asset leasing arrangements, such as those proposed by your government, are in fact asset sales.

²¹ COAG Asset Recycling National Partnership Agreement, Page 2, Section 4.

Despite this it appears the LNP government has attempted to deliberately deceive the people of Queensland by stamping 'No Asset Sales' on the cover of the Strong Choices plan, and made 'no asset sales' a key theme in the expensive taxpayer funded television, radio and print advertisements that are currently blanketing Queensland.

In order to try and reconcile these clearly conflicting positions, we recommend:

9. ***The Committee require the LNP Government to make clear to the people of Queensland whether or not they believe the definition in the Commonwealth NPA is erroneous, long term leasing is not an asset sale, and on that basis will not be seeking commonwealth funds under the NPA.***

10. ***Conversely if this is not the case, and the LNP Government does in fact agree with the definition under the NPA that long term leasing is in fact an asset sale they should be directed to amend the Strong Choices Plan and future advertisements accordingly.***

Job Losses

In Queensland energy GOCs since March 2012 there have been significant job cuts across energy government corporations of approximately 1750 staff with a majority being of a technical and operational nature.

Recently during industrial negotiations Energex tabled a proposal to reduce apprentice intake numbers from 280 to a maximum of 96 which represents a reduction of up to 66%.

The LNP is following a well-worn privatisation blueprint; slash and burn perceived costs and make the companies look more attractive to possible suitors. We know in Victoria under privatisation jobs and apprenticeships were slashed and many roles outsourced to private contractors.

In states that have been privatised the supposed efficiency gains to be made by private competitive companies have been made through short term costs savings which included cutting the quality or level of services. Cost savings have been made

by both placing downward pressure on rates of pay and conditions for workers and making thousands of workers redundant. In Australia employment in the electricity sector fell from 83,000 in the mid-1990s to 33,000 workers in 2003 following large scale privatisations in Victoria and South Australia.

The flow on effect of this is enormous, especially in rural communities. The cost savings made by the private sector are in effect subsidised by the public sector footing the ongoing social security bill as thousands of people cannot find alternative work. The government bears the economic burden of the lost jobs while the community bears the social cost and the private companies pocket the profit.

The threat of privatisation or services cuts has been hanging over the heads of energy workers in regional Queensland for over two years.

The Independent Review Panel (IRP) Report²² Into Network Costs, which commenced in 2012 but was only finalised in early 2013, contained two specific recommendations that if implemented will see up to 40 Ergon Depots closed and replaced with service agents and the privatisation of 34 isolated supply assets currently owned and operated by Ergon.

Recommendation 23: In the Ergon Energy service delivery area, consideration be given to the adoption of a Local Service Agent model for depots in the range of 8 to 15 employees where there would be improved services to customers, service delivery would be more cost effective and where there is broad support amongst staff for the adoption of this type of service delivery model. Implementation: Ergon Energy.

Recommendation 29: The Government call for expressions of interest from the private sector to operate and maintain the isolated supply assets in Queensland as an independent power producer. Implementation: DEWS

These recommendations leave workers and their communities exposed to massive job cuts, compromised service, price spikes and compromised safety as private companies will seek to maximise profits.

²² <https://www.dews.qld.gov.au/policies-initiatives/electricity-sector-reform>

In Queensland we have a situation where the LNP, despite promising to be transparent and consultative, is leaving a large proportion of the Ergon workforce and their communities in a state of limbo, unsure about the future of their jobs and vital regional infrastructure. Discussions and debate about the significant social costs of privatisation are being avoided by this Government

Residential Pricing and Retail Sector Reform

Recently there have been disturbing media reports²³ in relation to the Queensland Government owned 'poles and wires' business Energex that contain serious allegations from a former employee turned whistle-blower that she was directed by superiors to falsify numbers and data to artificially increase revenue to Energex by essentially 'gaming the system' through the Australian Energy Regulator regular regulatory determination processes. All of which ultimately drives up residential household power prices in Queensland.

Since being elected to office, the Newman Government has presided over a 36.2% increase in Queensland residential electricity prices and recently passed the *Electricity Competition and Protection Legislation Amendment Bill 2014* to fully deregulate the electricity market in South East Queensland by removing the Government from any role in price setting role and driving all residential customers onto market contracts which in turn will deliver ever greater profits to private retailers via an increase in the total available customer pool.

When considered in the broader context of the Newman Government's intention to lease over \$37 billion worth of publically owned electricity generators and networks to the private sector, we believe there are serious questions that need to be publically answered over exactly what role and motivations the Government, through its corporations and policies, has played in driving up both state owned energy corporation revenues prior to privatisation and increasing Queensland residential power prices across the entire energy spectrum of generation, poles and wires and retail.

²³ 'Whistleblower claims Energex execs manipulated data as it considered ways to increase power prices', Kelmeny Fraser, The Courier-Mail, September 24, 2014.

Additional Matters

Terms of Reference

The ETU makes this submission pursuant to the Committee of Inquiry Terms of Reference with particular regard to:

- (iii) identified breaches of funding agreements or conditions;
- (v) whether any Commonwealth funds have been used by the State of Queensland for state government advertising or party political purposes;
- (g) any other matter the committee considers relevant.

Appearance as a Witness

The ETU is willing and available to appear as a witness and would welcome an invitation to appear before the Committee.

Conclusion

The manner in which the LNP Government is implementing its privatisation agenda and its relationship with ERM Power raise serious questions about Government adherence to the expected standards of openness, accountability, and ethics.

In our view there is enough factual evidence presented in this submission for the Committee to take a decision to investigate these matters further using all of the powers at its disposal.

Until a full investigation into these issues is carried out, the Queensland public and the Commonwealth can little confidence in any of the dealings, agreements, and policies of the Newman LNP Government.

Attachment 1



Electoral Act 1992
Section 265

Electoral Commission of Queensland
Disclosure Return – Donor to Registered Political Party

Print

The Electoral Act 1992 requires that a person who makes political donations or other gifts totalling \$1,000 or more to the same registered political party, and including an associated entity of a registered political party, must give the Electoral Commission of Queensland a return in this approved form.
Where a person who is required to disclose a political donation or other gift, received a political donation or other gift of \$1,000 or more that was used to make all or a substantial part of the gift to the party, details of the gift received must also be reported in this form.
Returns must be lodged within 8 weeks of the end of each reporting period. A reporting period is—
• the period starting 1 January and ending 30 June – returns due 25 August;
• the period starting 1 July and ending 31 December – returns due 25 February.

Lodgement of Return..... Electoral Commission of Queensland
Funding and Disclosure Unit
Level 6 160 Mary Street (or)
GPO Box 1383
BRISBANE QLD 4001

Telephone 1 300 881 665
Facsimile (07) 3036 4996
Email fed@ecc.qld.gov.au



Donor's Details

Name
ERM Power Limited

Business or Residential Address
PO Box 7152
Brisbane QLD

Certification

I certify that the information contained in this return and its attachments, if any, is true and complete.

Signature

Date 21 August 2012

Office Use Only
Date Received 23/8/2012 Reg No. D168/12-11/12
Date Posted to Web

Details of the Person Completing this Return

(Complete only for returns made on behalf of an organisation)

Name Peter Jans

Capacity/Position
Business or Residential Address
Company Secretary

If same as the donor's address – leave blank

Business Hours
Contacts and Email
Telephone 0730206131
Email pjans@empower.com.au
Fax 07322129

Please complete the following pages

Page 1 of 3
Form QFD03 Feb 2012

Disclosure Return
Donor ERN Power Limited Period Covered
From 1 January 2012 to 30 June 2012

Part 1 – Donations Made

Donations include—
 • Fundraising Contributions (the first \$200 of a fundraising contribution is not considered)
 • Gifts / Other Donations
 • Political Donations – Note – Limited to a cap of \$5,200 (Jul 2011–Jun 2012), and must be accompanied by a statement that the donation is intended for use for campaign purposes during the capped expenditure period for an election
 See glossary at the end of this form for further information about the meaning of these terms

Name of Political Party or Associated Entity Receiving Donation	Business Address	Date Paid	Gifts / Other Donations \$	Fundraising Contributions \$	Political Donations \$	Description (see above)
LNP (QLD)	PO Box 1127, Coorparoo DC QLD 4151	20/01/2012		750.00		Fundraising
LNP (QLD)	PO Box 940, Spring Hill QLD 4004	12/01/2012		450.00		Fundraising
LNP (QLD)	PO Box 940, Spring Hill QLD 4004	25/5/2012		\$16,500		Fundraising

Please attach additional pages in the same format if there is insufficient space on this form


Page 2 of 3
Form QFD03 Feb 2012

Attachment 2

Hayley Coultis

Subject: Meeting with Trevor St Baker & Philip St Baker, ERM Power & Peter Costantini, SAS Group (3.45pm - 4.15pm)
Location: Minister's Office
Start: Wed 13/06/2012 3:45 PM
End: Wed 13/06/2012 4:15 PM
Recurrence: (none)
Meeting Status: Meeting organizer
Organizer: Mark McArdle
Required Attendees:
Resources: EWS Boardroom

Released under RTI Act 2009
Office of the Minister for EWS

13-370 Documents Page 139 of 252 

Attachment 3



Level 5, ICON Place
270 Adelaide Street
PO Box 10605
Brisbane Adelaide Street
Qld 4000 Australia
W. sasgroup.net.au
P. +61 7 3221 9222
F. +61 7 3221 9223

27th July 2012

Hon Mark McArdle MP
Minister for Energy and Water Supply
PO Box 15456
City East QLD 4002



Dear Minister *Mark*

LNP Business Observers Program 2012

On behalf of the SAS Group and our client, ERM Power, I would like to take this opportunity to thank you for your time and the chance to meet with you as part of the Business Observers Program at the recent LNP Convention in Brisbane.

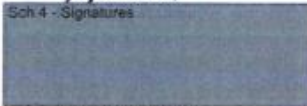
During our discussion, I provided an overview of this Queensland based success story and their growth from a specialist consulting company to the leading developer of new power stations and now to the 4th largest electricity retailer in Australia.

ERM Power takes a highly active role in the public policy arena on issues relating to energy and infrastructure including for example:

- The importance of further deregulation in electricity tariffs to stimulate greater price competition for residential consumers.
- Modelling the impacts of the carbon tax and alternate models that would support carbon reduction (such as Queensland's Gas Electricity Certificate Scheme), and the impacts of the 20% Renewables Energy Target Scheme.
- Ensuring there is a sound domestic gas reserving policy for local industry and energy production.

Again, please accept our thanks and appreciation on behalf of ERM Power for your time at the LNP Business Observers Program. Please do not hesitate to contact me on (07) 3221 9222 or peter@sasgroup.net.au should you wish additional information or would like to meet again with ERM Power.

Yours sincerely



Peter Costantini
CHIEF EXECUTIVE OFFICER

P.S. Looking forward to the dinner of 7th August with ERM!

Note: ERM Power is a client of the SAS Group on the Queensland Lobbyist Register.

Government & Business Relations, Policy & Public Affairs

Attachment 4

Hayley Coultis

Subject: Dinner with ERM Power & SAS Group (6.30pm - 8.30pm) Contact: Ashleigh De'Ath (07 3221 9222)
Location: The Queensland Club, Library Room, Cnr George & Alice Street, Brisbane
Start: Tue 7/08/2012 6:30 PM
End: Tue 7/08/2012 8:30 PM
Recurrence: (none)
Meeting Status: Meeting organizer
Organizer: Mark McArdle
Required Attendees: Caloundra; Jeffrey Sommerfeld

Attending:

- o Mr Jeffrey Sommerfeld - Chief of Staff
- o Mr Trevor St Baker - Non-Executive Deputy Chairman and Founder, ERM Power
- o Mr Philip St Baker - Managing Director and CEO, ERM Power
- o Mr Mitch Anderson - CEO, Retail, ERM Power
- o Mr Rohan Melhuish - Executive General Manager Energy Planning, ERM Power
- o Mr Peter Costantini - Chief Executive, SAS Group
- o Hon. Larry Anthony - Director, SAS Group

Attachment 5

Hayley Coultis

Subject: LNP Fundraising Dinner (7.00pm - 9.00pm) Contact: Nicola Dent-Votier (07 3844 0666) **Meet Nicola at front entrance

Location: ERM Power, Boardroom, Level 52, 111 Eagle Street, Brisbane

Start: Wed 19/06/2013 7:00 PM

End: Wed 19/06/2013 9:30 PM

Recurrence: (none)

Meeting Status: Meeting organizer

Organizer: Mark McArdle

Required Attendees:

RE: Fundraising Dinner - 19 Ju... Hon. Mark McArdle Dinner ...

Released under RTI Act 2019
Office of the Minister for EWS

13-370 1 Documents Page 137 of 252

Attachment 6

Hayley Coultis

Subject: Dinner Meeting with ERM Power (6.30pm - 9.00pm) Contact: Peter Costantini (07 3221 9222)
Location: The Library at The Queensland Club, Corner George and Alice Streets, Brisbane
Start: Wed 5/02/2014 6:30 PM
End: Wed 5/02/2014 9:00 PM
Recurrence: (none)
Meeting Status: Meeting organizer
Organizer: Mark McArdle
Required Attendees: Caloundra: Anthony Jones



11129_Costantini_CR: Meeting with
Exec... ERM Power

Attendees:

- o Trevor St Baker, Non-Executive Chairman, ERM Power
- o Phil St Baker, Managing Director, ERM Power
- o David Guiver, General Manager Trading, ERM Power
- o Peter Jans, General Counsel and Company Secretary, ERM Power
- o Fiona Simon, General Manager Regulatory Affairs, ERM Power
- o Peter Costantini, Director, SAS Group

Items for discussion:

- o Small-scale Renewable energy scheme (SRES)

Attachment 7



Briefing Note

Prepared For:	Hon. Mark McArdle MP	Prepared By:	SAS Group
Date:	10 th March 2014		
Subject:	Boardroom Lunch on Tuesday 11 th March 2014		

Function Details

Date & Time:	11/3/2014 12:15pm – 2:30pm	Location:	Level 4, 270 Adelaide Street Brisbane
Contact:	Ashleigh De'Ath Peter Costantini		

Suggested Discussion Points:

- 30 Year Energy Plan — *future*
 - Solar Feed-in Tariff reform —
 - Potential for future asset sales —
 - RET Review —
 - Gas — *NSW AUST DOMESTIC GAS CONFERENCE*
- PRICE MONITORING SEQ*
N-1 standards

Run Sheet

12:15pm	Guests Arrive
12:30pm	Minister Arrives
12:45pm	Guests Seated
12:45pm	Welcome and Introductions by Peter Costantini Guest Introductions
12:50pm	Entrees Served
1pm	Introduction to Minister by Peter Costantini Brief speech by Minister – 5-10 minute informal speech Open conversation and facilitated questions
1:30pm	Mains Served Open conversation and facilitated questions
2pm	Dessert Served Tea & Coffee
2:25pm	Vote of Thanks
2:30pm	Close

10/03/2014

Page 1 of 4

13-370

Documents

Page 237 of 252

Release

Attachment 8

Jamie Baker

From: Hayley Coultis
Sent: Tuesday, 25 March 2014 9:22 AM
To: [Redacted] - Irrelevant Information
[Redacted] - Irrelevant Information

Cc: Jamie Baker
Subject: **LNP Policy Meeting - Change of Venue**


Importance: High

Good morning

Please note that tonight's LNP Energy and Water Policy Committee meeting will be taking place from 6.00pm to 8.00pm in Room 5.04A at Parliament House, Brisbane, not at Mineral House.

Please don't hesitate to give Jamie Baker [Redacted] - Personal Information or me a call if you have any questions.

Kind regards, Hayley




Hayley Coultis
Executive Assistant | Office Manager
Office of the Hon. Mark McArdle MP | Minister for Energy & Water Supply
Phone: 07 3719 7147 | Fax: 07 3220 6233
Mineral House | 41 George Street | Brisbane | QLD 4000
PO Box 15456 | City East | Brisbane | QLD 4002
Great State. Great Opportunity.

Released under the RTI Act 2009
Office of the Minister for EVWS

13-370 Documents Page 163 of 252

Attachment 9



Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia
Electrical Division, Queensland and Northern Territory Divisional Branch
Electrical Trades Union of Employees Queensland Branch

G. 41 Peel Street South Brisbane Q 4101
P. PO Box 3520 South Brisbane Q 4101
T. 07. 3846 2477 | F. 07. 3844 9851
E. info@etu.org.au | W. www.etu.org.au | www.etuqes.com
Please address all correspondence to the Secretary: P. J. SIMPSON
ABN: 80 450 640 455

5th September 2013

Mr Rod Sims
Chairman
Australian Competition and Consumer Commission (ACC)
GPO Box 520
Melbourne Vic 3001

Mr Andrew Reeves
Chairman
Australian Energy Regulator (AER)
GPO Box 520
Melbourne VIC 3001
AERInquiry@aer.gov.au

Dear Messrs Sims and Reeves

At the outset let me say that as a key stakeholder in the national energy industry the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia, Queensland and Northern Territory Branch ("CEPU") supports the effective operation of a strong, fair and equitable National Energy Market ("NEM") and acknowledges the critical role the ACCC and AER play in ensuring the NEMs continued good operation.

I have been made aware of matters pertaining to the NEM that are of concern to my organisation that relate primarily to two NEM generation participants, namely ERM Power Limited ("ERM") and Queensland Government owned Stanwell Corporation Limited ("Stanwell").

The electoral disclosure documents (Attachment One) for the LNP published by the ECQ show that ERM made a political donation of \$16,500 to the LNP Government on 25 May 2012 (the "donation").

On 30 May 2012 the Queensland Government issued a media release¹ announcing ERM's Non-Executive Chairman was appointed by the Queensland Government to head an independent review panel into the Queensland electricity industry which encompassed the generation sector.

Gold Coast	G. 1/5 Executive Drive, Burleigh Heads	P. 1/5 Executive Drive, Burleigh Heads	T. 07. 5532 6903	F. 07. 5528 1689	E. goldcoast@etu.org.au
Sunshine Coast	G. 6/33 Bulcock St, Caloundra	P. PO Box 262 Caloundra Q 4551	T. 07. 5341 8927	F. 07. 5341 8953	E. ssc coast@etu.org.au
Toowoomba	G. 19A Russell St, Toowoomba	P. PO Box 1593 Toowoomba BC Q 4350	T. 07. 4638 9313	F. 07. 4639 2810	E. toowoomba@etu.org.au
Gladstone	G. 1/11 Herbert Street, Gladstone	P. PO Box 848 Gladstone Q 4680	T. 07. 4972 6676	F. 07. 4972 5721	E. gladstone@etu.org.au
Rockhampton	G. 110 Campbell Street, Rockhampton	P. 110 Campbell Street, Rockhampton	T. 07. 4927 7587	F. 07. 4927 9180	E. rockhampton@etu.org.au
Mackay	G. 41 Brisbane Street, Mackay	P. PO Box 1854 Mackay Q 4740	T. 07. 4953 4799	F. 07. 4953 4899	E. mackay@etu.org.au
Townsville	G. 64 Ross River Road, Mundingburra	P. PO Box 5900 Townsville 4810	T. 07. 4728 2443	F. 07. 4728 2907	E. townsville@etu.org.au
Cairns	G. 25/25 Grafton Street, Cairns	P. PO Box 5222 Cairns Q 4870	T. 07. 4051 3472	F. 07. 4051 3502	E. cairns@etu.org.au
Northern Territory	G. 1st Floor 38 Woods Street, Darwin	P. PO Box 4053 Darwin NT 0801	T. 08. 8941 2300	F. 08. 8981 1770	E. darwin@etu.org.au

As you will be aware, on 11 October 2012, the Queensland Government owned Stanwell announced¹ a decision to 'mothball' generation units which it subsequently did. Generation Units 2 and 4 at Tarong Power Station were 'mothballed' on 29 September 2012 and 10 December 2012 respectively along with over 120 job losses since. This decision was made just prior to what is commonly referred to in the media², and generally understood to be, the peak summer energy demand period.

It has now come to light, via ERM's recently released 2013 Annual Report³, that simultaneously ERM recorded a spectacular revenue growth of 67% over the same period.

We are concerned that a private generator can seemingly reap massive revenue benefits following the decision of a state owned generator to 'mothball' generator capacity when there are such direct links between the private operator and the Government over the same period.

We hold the view that in situations where relationships between two NEM participants are as close as this privately owned generator and Queensland Government, the public interest dictates that such relationships must be open and transparent so that public confidence in the proper and equitable operation of the NEM is maintained, and the objects of the relevant legislation governing the NEM and its participants is not undermined.

While ultimately all these matters may in fact be coincidence, we believe that on an objective interpretation of the facts set out in this letter, which have been obtained from publically available and verifiable sources, the public interest warrants investigation to confirm that the operation of the NEM has not been compromised in any way.

Given the regulatory and investigative function and powers of your respective agencies we believe it prudent to draw your attention to these matters for further inquiry or investigation as appropriate.

Should you wish to discuss these matters further or if there is any way that we can be assistance please do not hesitate to contact me.

Yours Sincerely,

P.J. Simpson

Secretary

¹ <http://statements.qld.gov.au/Statement/2012/5/30/irp-set-for-electricity-price-reform>

² [http://www.stanwell.com/Files/Stanwell_Media_Release -](http://www.stanwell.com/Files/Stanwell_Media_Release_-_Stanwell_to_withdraw_Tarong_Power_Station_units_from_service_-_11_October_2012.PDF)

[Stanwell to withdraw Tarong Power Station units from service - 11 October 2012.PDF](http://www.stanwell.com/Files/Stanwell_Media_Release_-_Stanwell_to_withdraw_Tarong_Power_Station_units_from_service_-_11_October_2012.PDF)

³ <http://www.couriermail.com.au/news/queensland/price-surges-spark-debate/story-e6freopf-1226551533389>

⁴ <http://www.ermpower.com.au/Media/Default/2013%20ASX/130822%20ASX%20announcement%20and%20presentation%20%28FINAL%29.pdf>

Attachment 10

From: "McLEOD Ian (NQ)"
Date: 12 December 2013 3:39:14 PM AEST
To: "Everyone (All Regions)"
Subject: Government announces changes to ease state debt
Colleagues

The Queensland Government has announced a range of options to alleviate pressure on the State's finances, including the potential integration of Ergon Energy's Retail business with a government-owned generator, and the prospect of private sector investment in electricity infrastructure.

As one of a number of possibilities for Retail, the Government will commission a study to investigate a combined generator/retailer as a means of increasing competition in the market. Ergon will also present Government with an option for a standalone retailer. A separate Government study will look at divestment opportunities for generators CS Energy and Stanwell, while a third review will examine leasing options for the ports of Townsville and Gladstone.

Meanwhile, private sector funding of future infrastructure for Ergon, Energex and Powerlink will be investigated to offset the risk of further state debt, with an investment bank to be appointed to assess market appetite. In the meantime, the proposed holding company structure recommended by the Interdepartmental Committee (IDC) on Electricity Sector Reform and accepted in-principle by the government in June has been put on hold.

Today's Government announcements come in the context of State debt and the need to restore Queensland's AAA credit rating. The proposals were all previously flagged in earlier reviews, including April's Commission of Audit into the State's finances, and the IDC recommendations relating to drivers of electricity prices, regulatory arrangements and the sector's structure.

We're waiting on further detail to fully understand what it means for Ergon, and I'll share more information as soon as it's available. However, this briefing document outlines some of the government's reasoning, and how today's proposals might proceed.

While the detail and timing are matters for Government, Ergon has been working hard to prepare for the possibility of a separation of our Retail business and for increased competition, and we've also made great strides in our overall efficiency and effectiveness, and in the value we represent to customers. In short, we're well positioned to meet whatever is required of us.

Thank you for your efforts in helping to shape a flexible, responsive, customer-focused business, and I'll let you know more about what lies ahead as soon as I can.

Regards

Ian McLeod
CHIEF EXECUTIVE