

Questions on Notice

1. Senator HUME: On notice, could you provide to the committee your remuneration structure for traders. That would be very important.

Mr Redman: Sure, I'm happy to do that.

Answer: Our traders, like hundreds of other AGL employees, are eligible for a yearly incentive payment. This is awarded on AGL's overall financial performance, role specific objectives and demonstration of AGL values, such as safety and engagement.

We do not have a separate incentive plan for our traders.

The accountabilities we expect our traders to demonstrate include, but are not limited to, ensuring the business is compliant with market rules by keeping up to date with changes in gas and electricity market rules, performing regular reviews to ensure operations are compliant with market rules and ensuring AGL meets all rule requirements under the National Electricity Rules.

2. Senator KETTER: Take us through the consultation process for this bill? Are you able to tell us how that occurred, when you first became aware of the approach? Did you see the first exposure draft? What opportunity was there for you to respond?

Mr Redman: I'd probably have to take on notice the exact detail. In a broad sense, my recollection was it was towards the end of last year, it might have been about November, that we started to get a sense of what was in the bill. I think we saw first drafts of it, but we were expected to keep it highly confidential when it was initially provided to us. I think it was through the back end of November and December that we started to get some sense of what was there. On the amendments which were introduced, I'm not sure if we got much notice at all—maybe we had 24 hours' notice of the amendments that were being put up when the bill was introduced into the lower house.)

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Senator KETTER: Going back to the consultation process, we'll ask you to take that on notice in terms of dates—

Mr Redman: We are happy to come back and provide you with more precise detail.

Answer: AGL is deeply concerned that the consultation process for the Bill is inadequate and bypasses the established processes and channels for reform in the energy sector.

The timeline between 23 October (release of the Consultation paper) and the introduction of the Bill on 5 December 2018 was very short. However, that period overstates the actual opportunities to provide comment on the policy direction and the Bill. The draft legislation was subject to very limited circulation and AGL had only 7 days to provide comments on the draft legislation notwithstanding its complexity and that it included provisions that were not meaningfully foreshadowed by the consultation paper.

23 October 2018

The Treasury issues an *Electricity price monitoring and response legislative framework* Consultation Paper

8 November 2018	AGL makes a submission in response to the Consultation Paper
16 November 2018	The exposure draft of the <i>Treasury Laws Amendment (Electricity Price Monitoring) Bill 2018</i> was provided to AGL on a confidential basis.
22 November 2018	AGL makes a submission in response to the Draft Legislation
5 December 2018	The Bill is introduced to Parliament. It is in substantially amended form from the Draft Legislation provided in November 2018.
6 December 2018	The Senate refers the Bill to the Committee.
25 January 2019	Date by which submissions to the Committee must be made. (AGL notes that the submission date was changed from the original date of 11 February 2018).

3. Senator STOKER: Between the middle of last year and when it will close in 2022, what is the expected profit that Liddell will deliver to AGL?

Mr Redman: We don't separate the profit at a plant level, so I don't have that number. It is profitable today, otherwise it wouldn't be running—it's an economic decision—but we don't have a separated profit, if you like, such that I could quote that number.

Senator STOKER: Are you able to estimate?

Mr Redman: Not off the top of my head.

Senator STOKER: Are you able to take it on notice?

Mr Redman: I'm happy to take it on notice.

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Senator STOKER: So it's your evidence to this committee that the profit that will be produced by Liddell plus the value of the site upon closure at 2022 exceeds \$250 million.

Mr Redman: I'd need to double check exactly what Alinta offered. It exceeded what offer that they made—I'm not trying to be cute in my language, but it exceeded the offer that they were making. I was just trying to remember the details of their offer.

Senator STOKER: If, on reflection, you find that's different, could you please provide that information on notice?

Mr Redman: Sure.

Answer: The information provided at the hearing was correct. AGL does not calculate the profit attributable to our generation assets on a standalone basis. The value attributed to AGL operating Liddell from the time Alinta made the offer through to its closure in 2022 exceeded the highly conditional \$250 million that Alinta offered.