

18 September 2020

Tasmanian Government
The Draft Tasmanian Renewable Energy Action Plan 2020

Sent by email to: renewableenergy@stategrowth.tas.gov.au

To Whom It May Concern,

CEPU Submission – The Draft Tasmanian Renewable Energy Action Plan 2020

The Communications Electrical and Plumbing Union of Tasmania (CEPU) represents the interests of over 2,100 Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services workers in Tasmania. The CEPU is a divisional branch of the Electrical Trades Union of Australia (ETU) which represents over 60,000 electrical industry workers around the country which is a Division of the CEPU National which represents over 100,000 workers nationally, making us one of the largest trade unions in Australia.

The CEPU welcomes the opportunity to make this short submission to the Tasmanian Government via the Department of State Growth on the Draft Tasmanian Renewable Energy Action Plan 2020.

Australia's energy sector has seen significant reforms in recent years, sometimes changes are occurring weekly. Many changes are driving deep inefficiencies in energy businesses whilst not addressing the many cost drivers in the sector.

Recent meetings and correspondence between our Union and the Australian Energy Regulator (AER), for example, showed that the AER does no regulatory impact assessments on most of the major changes it introduces to the sector either prior to their introduction or after.

In fact, various changes imposed on workers in the energy sector have led to deep inefficiencies to the way work is scheduled and performed and drives poor performance outcomes from senior managers in energy businesses. Over time, this has led to deep cuts to maintenance and capital expenditure budgets, often at the expense of workers and public safety while delivering a substandard network that often isn't up to the task of connecting the new renewable generation being constructed in either a timely or cost efficient manner. Whilst Tasmania has been shielded to a large extent from the deep cuts imposed via regulatory determinations, these issues still exist to an extent within the Tasmanian network.

The effects of climate change on the energy sector, including through increased prevalence and severity of natural disasters combined with a poorly transitioning energy industry which, coupled with increasingly hostile workplace laws, is eroding the energy industry's historical profile of delivering long term, stable and secure jobs, services and social benefits to the Australian people. The negative impacts of these combined events are escalating, and these impacts are often being felt most acutely in regional communities who often have renewable projects imposed on them with limited social or economic benefit being delivered to the region.

Australian workers are at the forefront of these impacts but are being excluded from the processes, discussions and consultations around solutions needed in this energy transition.

The complete lack of federal energy policy has exacerbated all of these issues, so while providing some constructive feedback to the draft action plan, the CEPU welcomes the fact the Tasmanian Government is prepared to embark on longer term, more considered planning for energy, emissions and industry.

What the CEPU found most stark about the draft action plan, is it appears the Tasmanian Government has a clear destination with reasonably articulated goals but a surprisingly limited map on how to actually get there or guarantee the plan will deliver on its promise. Much of the plan appears to presume that benefits will somehow automatically flow from private enterprise to the community despite all historical experience that this will not occur without the appropriate regulatory settings to ensure it does.

The other major deficiency with the overall draft plan, is the complete absence of any consideration for embedding representatives of workers in any of the consultation or institutional forums that are proposed. Any plan that is developed and delivered absent the perspectives of Tasmania workers is guaranteed to deliver suboptimal outcomes.

Outlined below, the CEPU would like to make the following contributions in relation to the three key priorities outlined in the draft plan.

Priority 1: Transforming Tasmania into a global renewable energy powerhouse

No jobs and industry plan to make it work for Tasmanians – why leave it to the market?

Australia's National Energy Market (NEM) operates under the direction of the current National Electricity Objective ('the NEO')¹ which states:

'to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to –

a) price, quality, safety, reliability and security of supply of electricity; and

b) The reliability, safety and security of the national electricity system

On almost every measure, the 'market' has failed to deliver on this objective. Prices have continued to rise year in year out, the quality and safety of the network is in decline and reliability and security of supply continues to be challenged. Untested over-regulation has driven inefficient outsourcing and the introduction of completely ludicrous guidelines such as ringfencing.

The network has not kept up with the pace of change or the augmentation's required to prepare for and connect to new generation sources. One of the big issues with the current regulatory system is the extraordinarily narrow economic test for network expansion and augmentation, particularly the Regulatory Investment Test – Transmission (RIT-T). The ETU have been arguing for some time this test needs to be a broader economic interest and benefit test.

Victoria dealt with this some time ago by legislating amendments to the National Electricity Laws which in effect "switched off" the narrow RIT-T and replaced it with a broader economic benefit test.

¹ <http://www.coagenergycouncil.gov.au/energy-security-board/post-2025>; the NEO is set out in section 7 of the National Electricity Law

NSW tackled the issue by adopting a more stringent reliability standard. This has the effect of making it a little easier to approve transmission projects within the RIT-T framework but still has its limitations.

If Tasmania wishes to deliver cheaper electricity, a more fit for purpose network and ensure that its electricity plans actually deliver for the people of Tasmania, then an obvious first step should be to do what Victoria have done and opt out of the narrow RIT-T assessment process and replace it with a much broader economic benefit test.

The Tasmanian Government should challenge the performance of the NEM against its own metrics and seriously consider the value of continuing to be attached to it in its current framework. Further, Tasmania must advocate for a change to the NEO to allow for consideration of the impacts on workers, the community, and the State's emissions objectives.

No guarantee of benefits flowing to Tasmania

In regard to Tasmania's specific emissions reduction strategies, it is regrettable that the complete lack of federal leadership on energy and the absence of any policy certainty is leading to States having to 'go it alone' when it comes to the energy transition. It is obvious that the policy paralysis of the Morrison Federal Government will continue indefinitely, therefore the CEPU would urge the Tasmanian Government to work with other States and Territories through the Council for the Australian Federation to attempt to achieve a consensus position to be implemented nationally absent the Federal Government.

Notwithstanding the above, whatever scheme is established must give consideration to and establish a formal Just Transition Authority to better manage and coordinate the energy transition. It is nearly seven paralysing years without any energy policy certainty under the Abbott / Turnbull / Morrison Government and while one-third of Australia's coal-fired power stations closed between 2012 and 2017, billions in investment have occurred in renewables with no consideration given to a properly planned and coordinated deployment. This has left new renewable assets stranded, limited any benefit to impacted communities and led to a preferencing of unskilled, often exploited foreign workers, to perform large parts of the work. Very few training and apprenticeship opportunities have been created. This transition is entirely absent any consideration whatsoever of a just transition mechanism for workers and their communities impacted by changes in the industry and is completely devoid of any contemplation of the appropriate investment mechanism for new power sources and technologies. This uncertainty means that workers, their communities, and the industry itself continues to be left with no capacity to be able to plan into the future.

Tasmania should support and advocate for the creation of an Energy Transition Authority responsible for navigating Australia's transition to a clean-energy economy, which includes the orderly management of power station transitions and closures in order to avoid the severity surrounding structural adjustment on workers their families and communities along with the optimal deployment of new generation and transmission infrastructure. Absent a Federal transition authority, Tasmania should look to states like Queensland and consider adopting State policy settings similar to the Qld Just Transition Group and the first of its kind Clean Co, a publicly owned renewable energy company focused on a better planned renewable deployment through expanded public ownership.

These kind of policy settings could ensure a broader economic benefit test could be applied to renewable energy expansion with the appropriate regulatory and procurement settings to ensure the Tasmanian community actually benefits from the renewable energy action plan. Absent a proper transition framework,

the private sector will simply bleed Tasmania's renewable resources, particularly its precious water resources and most likely export its profits to the mainland, or offshore as is the case with Basslink currently.

The reality is several of the projects identified in the draft plan are highly questionable as to their actual benefit to Tasmania and due to credible research already indicating much better options could be pursued for a much lower cost. This is particularly apparent in the Tasmanian Small Business Council case study on Marinus Link² which rightly concluded:

"We are unconvinced that proceeding with the proposed

Marinus Link is in the best interests of consumers."

There are many opportunities to expand Tasmania's renewable energy resources which would complement the existing Hydro assets while delivering cheaper electricity to consumers and providing a competitive energy price for both existing Tasmanian Business while attracting new energy and emissions intensive industry to Tasmania. The energy plan is unrelentingly focused on exporting all of Tasmania's energy opportunities in pursuit of export profits, which overlooks the opportunities associated with retaining our renewable energy advantage for broader economic benefit.

For the \$3.5 billion price tag associated with building Marinus Link, the Tasmanian Government could instead embark on a complete overhaul of energy efficiency in the state which could have the effect of lowering demand, improving the quality of life of Tasmanian residents, reducing emissions and increasing supply.

For example, a targeted initiative to install battery and solar on every home in Hobart and Launceston owned and controlled by the appropriate energy Government Business Enterprise would effectively create a grid scale virtual power plant across these two major population centers. According to census data there are approximately 130,000 dwellings across these two cities. If a majority of dwellings had a solar system coupled with a battery system, centrally controlled and monitored by the network controller, Tasmania could in essence create a virtual power plant in each city with the capacity to deliver over half a gigawatt to the system. The cost of this kind of initiative would be well below the cost of Marinus but would deliver many thousands more jobs and faster. In addition, the virtual power plant could deliver significant system services as well as improve security of supply and reduce costs for individual consumers while reducing reliance on Tasmania's dams therefore improving other industry sectors impacted by dam level fluctuations. This kind of initiative also has the capacity to be scaled up.

This is just one example of an alternative investment which could deliver jobs, energy security, reliability, and cheaper energy prices to Tasmania. Rather than focusing on simply exporting Tasmania's cheap clean energy, of which the private sector takes a huge cut, Tasmania can retain it to better attract businesses, particularly emissions exposed manufacturing businesses which in turn will accelerate the employment opportunities for the local community.

Tasmania does not have to follow the Australian resources model of just 'digging it up and selling it overseas'. Government policy should seek to retain the maximum benefit of local resources in order to first value add and then export finished products for a much better benefit of the Tasmanian community.

² <https://energyconsumersaustralia.worldsecuresystems.com/grants/AP%201020%20-%20TSBC%20-%20Consumer%20perspective%20on%20Marinus%20Link%20Executive%20Overview%20April%202020.pdf>

Does Tasmania want to export MW's of electricity with few jobs once constructed or do we want to export internationally competitively priced advanced manufacturing and agricultural goods produced by highly skilled, highly paid Tasmanian workers and businesses?

Priority 2: Making energy work for the Tasmanian Community

Affordable Electricity and Serving the Tasmanian Community

Electricity prices in Tasmania remain ridiculously high and there is no justifiable reason for it. The actual cost of electricity sits well over double what consumers are currently paying. One of the main drivers of electricity prices in Tasmania is the poorly regulated connection to the Victorian energy market, where regularly Victorian consumers are securing Tasmania's zero emissions electricity generation as exports ahead of Tasmanian consumers, who are left to pay the artificially inflated Victorian price or worse, import expensive and high emissions Victorian electricity generated using brown coal.

Despite Victoria being nearly 28\$ MWh higher than Tasmania's wholesale power generation as demonstrated in Figure 2.1, Tasmanian consumers are paying an average of 1.41c/kWh more for their main electricity usage.

Figure 2.1 - Average financial year spot prices (VWA)

<i>Unit: \$/MWh</i>	Victoria	Tasmania	Difference %
2014-15	32	37	15
2015-16	50	97	48
2016-17	70	76	8
2017-18	99	88	-13
2018-19	124	88	-40
2019-20	84	56	-52

Source: AER analysis using NEM data.

Notes: Volume weighted average price is weighted using native demand in each region.

Figure 1.2 - Retail Comparison Flat Rate

<i>Unit: cents/kWh</i>	Victoria	Tasmania	Difference %
Light & Power	25.17	26.58	5.30
Tarriff	19.54	17.26	-13.21

Aurora Residential Flat Rate compared to Victorian Default Market Offer

Despite these comparisons showing a preliminary and stark irregularity of prices charged to the consumer, the story goes much deeper when the actual cost of generation is considered rather than the wholesale price. There is also the consideration of the multiple levels of regulatory costs, each different entity's profit margins and the multiple layers of corporate overheads.

Rather than the much cheaper vertically integrated Hydro that delivered cheap, clean electricity for decades along with significant community benefits through stable secure long term jobs, the electricity 'market' in Tasmania now pays no less than three CEO's, three boards of directors, three executive management teams, three regulatory compliance teams and the list goes on.

The regulatory burden and costs, borne by consumers, to allow Tasmania to participate in an artificial electricity market are significant. Analysis in 2017 by our Union found the national cost of the multiplicity of national regulatory bodies came to more than a quarter of a billion dollars annually.

Australia's current state of energy policy paralysis is being exploited by private energy companies with ever increasing profits coupled with ever decreasing service levels. A recent report by the Australia Institute, *The Costs of Market Experiments: Electricity Consumers Pay the Price for Competition, Privatisation, Corporatisation and Marketization*³ shows just how wasteful the artificial structure of private competition that has been imposed on the electricity sector is.

The report clearly articulates the costs drivers:

- Real output per employees in the electricity sector has fallen by 37% between 2000 and 2018, due to the excessive allocation of ultimately unproductive labour to advertising, sales, contract administration and other activities associated with privatisation.
- Productivity growth has been worse than for any other industry in Australia, completely contrary to the assumption that privatisation enhances efficiency.
- The number of sales-staff employed by electricity companies has grown almost 400% since the industry began to be privatised in the mid-1990s and the number of managers has grown over 200%.
- Over the same period, the number of electrical tradespeople and other workers involved in actual production has grown just 21%.
- Electricity sector now spends more on finance and banking costs than the actual fossil fuels that power electricity generation.

Many of the projects highlighted in the draft energy plan presume that privately owned renewable generators will somehow 'do the right thing' by Tasmania when it comes to jobs, price, supply chain opportunities or any other broad socioeconomic benefit yet the small number of privately built renewables which have been constructed recently have demonstrated the complete opposite.

Much of the workforce has been fly in / fly out from the mainland despite local workers being both skilled, licensed and capable of performing the work (astonishingly this even continued during the COVID travel restrictions) few apprenticeships have been offered but on closer inspection the CEPU found these apprentices weren't even Tasmanian workers, but instead the project proponents flew in interstate apprentices. Limited planning and absolutely no enforcement of procurement principles meant there was no leveraging of local supply chain opportunities and the majority of components for these projects were brought in from the mainland or from overseas suppliers. At best the local communities received a small increase in shop trade and some accommodation facilities benefited, but usually at the expense of the local population who faced significant increases in costs.

It is regrettable that this energy plan does not contemplate how to tackle these issues. Instead much of the plan appears intent on persevering with the expansion of renewable energy resources via private investment, for the direct benefit of Victoria, largely paid for by Tasmanian energy consumers and taxpayers.

³ [The Costs of Market Experiments](#)

Table 1.3 – Employment Growth in the Power Industry

	Nov-96	Nov-16	Increase %
Managers	2,669	8,473	217
Sales workers (broadly defined)	607	3,008	396
Professional (excluding advertising and marketing professionals)	6,865	11,115	62
Clerical and admin	8,805	11,851	35
Other (Field Workforce)	20,242	23,234	15
Total	39,188	57,681	47

Source: The Australia Institute Report - The Costs of Market Experiments: Electricity Consumers Pay the Price for Competition, Privatisation, Corporatisation and Marketization

Ensuring public ownership including in the expansion of renewable resources is critical to maintaining democratic control of the energy system and ensuring the system serves the Tasmanian community rather than privatizing and more than likely offshoring the profits.

The ‘prosumer’ fallacy

Attempting to resolve the debacle that is Australia’s National Electricity Market through a ‘consumer activist’ lens is reckless and disregards important issues of safety, scale, quality standards and socioeconomic exclusion.

Annual reports from the Clean Energy Regulator have consistently demonstrated the high rates of non-compliance in the small-scale solar installation industry. In fact, their most recent report⁴ showed the number of “unsafe or substandard” installations increased again with Tasmania having the highest rates of unsafe installations and amongst the highest rates of sub-standard installation, yet the federal Clean Energy Regulator (CER) has only ever suspended one single operator’s license over the past decade.

Table 1. Completed inspection reports received as at 31 July 2018

4

<http://www.cleanenergyregulator.gov.au/DocumentAssets/Documents/Inspections%20update%20No%2018.pdf>

State	Systems inspected	Unsafe systems	% Unsafe	Substandard systems	% Sub Standard
ACT	311	12	3.86	36	11.58
NSW	6,236	210	3.37	1,082	17.35
NT	142	5	3.52	30	21.13
QLD	8,270	265	3.20	1,583	19.14
SA	3,241	55	1.70	591	18.24
TAS	383	20	5.22	69	18.02
VIC	5,258	201	3.82	754	14.34
WA	4,203	146	3.47	861	20.49
Grand Total	28,044	914		5,006	
Total Percent	-	3.26%		17.85%	

The proliferation of small-scale renewables and demand management initiatives without any meaningful coordination or planning is having a massive impact on the network, often requiring expensive investment in network upgrades to deal with the subsequent voltage and system imbalance issues. Adding to the complexity of these issues is the high rates of non-conformance and completely inadequate regulatory oversight of this industry.

A serious question must be asked, when Australia has the largest reserves of relatively cheap fossil fuel sources and even cheaper renewable energy sources how it has become the individual consumers being the ones tasked with figuring out how to reduce their power bills.

Further, under the current model, the additional network pressures introduced by ‘prosumer’ initiatives are not paid for by these individual consumers but rather borne by all consumers while the individual reaps all the benefits exclusively. The focus of these programs put pressure on the system without acknowledging this will cost and someone has got to pay

At the end of the day, individuals will not be able to offset the profiteering by private providers and often, their well-intentioned adjustments and initiatives will ultimately put a strain and additional costs onto the network which are then borne by the consumers.

Priority 3: Growing the economy and providing jobs

Removal of workers representation from training and no plan to restore it

Following the election of the Hodgman Government in 2014, a sustained and ideological effort to remove workers representatives from formal consultation bodies regarding training has led to a situation where there is no representation of workers on either the Tasmanian and this has led to an overall decline in the number of apprentices in Tasmania in the March 2013 to March 2020 period as identified at table 3.1.

Table 3.1 – Apprentices Numbers Tasmania

	Enrolled March 2014	Enrolled March 2020	Percentage Change
Electrical Apprentices	585	663	13.33
All Apprentices	10843	9111	-15.97

Source: NCVER Data

Defining and measuring skills shortages is a complex and difficult task and it is one which, to date, government has largely failed to undertake effectively. Currently the government does not have access to any data sources that are sufficient to determine skill shortages in real time, particularly not at a sufficiently granular level geographically.

The government, accepting this reality, has largely fallen back on allowing employers to identify and define skills shortages, with remarkably few checks or process to ensure that this is done accurately. The echo chamber which non-representative skills and training boards has become in Tasmania is disappointing. These issues were raised with the Hodgman Government in 2015 where a commitment was made by then Premier Hodgman in the presence of then Treasurer Gutwein to correct this deficiency but regrettably this turned out to be another promise not kept by the government.

Ideally, the processes associated with skills identification and development should involve engagement with employers, unions, state and local governments and TAFE providers. This broader group could more effectively identify skills shortages, while weeding out those occupations currently incorrectly identified as suffering a shortage.

It is particularly crucial to broaden the group which oversees this process as long as skills shortage lists are used to determine eligibility for temporary work visas. This system is often used by employers to access workers at a lower cost than local workers (many migrant workers are also more vulnerable to exploitation such as wage theft). A 2015 survey of employers using this program showed how employers use this system not to fill skill gaps, but to save money when it found that only 1 in 100 had attempted to increase the salary of the position they were advertising prior to seeking access to temporary migrant workers.⁵

It is this dual-purpose which partially explains the apparent persistent shortages in some industries. The use of skill shortage identification to drive training and to grant access to temporary visa workers are related purposes, but they are in fact opposed to one-another. Allowing employers access to workers which are often perceived as cheaper and more exploitable than locally-sourced workers, acts a direct disincentive for investment in the training of new workers. Employers prefer to churn through multiple temporary worker placements rather than invest a similar amount of time in the training of a local worker or, as shown earlier, offer more competitive pay to attract an existing workforce. This means that skills shortages are not effectively addresses and that it remains in the interest of employers, who are the sole source of skill shortage intelligence currently utilised, to keep occupations listed as experiencing a shortage for as long as possible.

The draft plan lacks the necessary pathway to actually achieve its goals.

By way of example, Tasmania has a significant opportunities to control training demand and core industry skills through the strategic use of its existing and new Government Business Enterprises (GBE's) which are currently some of the worst employers in Tasmania when it comes to employing trainee's and apprentices.

⁵ <https://www.aph.gov.au/DocumentStore.ashx?id=bd3269cc-37ae-4023-986e-582a4e11adbd>

The Energising Tasmania Fund appears to target grants of over \$16m at private RTO’s, not securing and retaining long term skills for Tasmania.

There is no procurement or regulatory settings identified which will deliver the job opportunities the draft plan purports to support. This is a significant lost opportunity and an area the CEPU would urge the Government to improve significantly or risk a significant opportunity cost.

Defunding impacts of Tasmania Tafe and an overemphasis on private providers

The CEPU has locally and nationally highlighted for a long period that the neglect of TAFE’s resourcing has and is having a serious impact on even the fundamental delivery of Certificate 3 trades. The near standstill of Electrical and Plumbing training in the pre Covid construction boom is a prime example. The good news however is the that solutions to those problems are simple.

- Industry standard wages to attract/retain teachers
- Increased administrative support for teachers
- Adequate funding for Tafe capital expenditure

Despite overall growth in jobs in the three main sectors which employ trades and technical workers as shown in Table 3.2 there has not been a corresponding growth in apprenticeship numbers. While overall jobs grew 3.16% the total number of apprenticeships fell by just under 16%.

Whilst electrical apprenticeships are the exception to this rule, this has largely been due to the expansion of a number of funding policies predominantly in the residential construction settings, an area the Union regularly receives reports from apprentices of underpayment, poor treatment and a lack of meaningful on the job training which is in turn leading to a higher dropout rate for this cohort of apprentices. A secondary challenge has been the Federal Liberal Governments decision to make it unlawful for Unions such as the CEPU to negotiate and agree with employers in the construction industry committing to the employment and training of apprenticeships. Notwithstanding, the improvement in the construction sector has contributed to the overall increase to electrical apprentice numbers, but not to the extent it could have had the Federal Government not introduced so much red tape into the skills and training space.

Table 3.2 – Total Employment Across Main Sectors Which Employ Apprentices

	February 2013	February 2020	Percentage Change %
Electrical	5000	4000	-20.00
Manufacturing	18300	18700	2.19
Construction	17800	19700	10.67
Total	41100	42400	3.16

ABS: 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, May 2020

Regardless, Tasmania is experiencing a significant decline in apprenticeship completion rates. From an average completion rate in 2007⁶ of 67%, Tasmania’s 2015 intake of apprentices only achieved a 60.8% completion rate meaning less than two thirds of all apprentices 2015 make it to the end of their training contract.

⁶ https://www.ncver.edu.au/_data/assets/file/0026/9665/understanding-non-completion-2706.docx

The underinvestment in Tasmania's TAFE system is a direct contributor to the experience of both employers and apprentices engaged in the system. CEPU members and employers both regularly report to the Union that the neglected TAFE system is another significant contributor to poor completion rates.

Conclusion

What the CEPU found most stark about the draft action plan, is it appears the Tasmanian Government has a clear destination with reasonably articulated goals but a surprisingly limited map on how to actually get there or guarantee the plan will deliver on its promise. There is also a major limitation in that it appears the Government is not prepared to entertain that there are more viable alternative solutions. Much of the plan appears to presume that benefits will somehow automatically flow from private enterprise to the community despite all historical experience that this will not occur without the appropriate regulatory settings to ensure it does.

The CEPU would welcome the opportunity to working productively with Government and industry to develop a detailed energy plan, as would the broader Tasmanian union movement, but absent appropriately constituted industry planning bodies which ensure worker representation in all of these processes, the Government is missing an obvious opportunity to consider the perspectives, experiences and knowledge of Tasmanian workers whilst also missing an opportunity for greater community engagement and the important social licence that comes with meaningful consultation.

This point reiterates the CEPU's concern about the lack of meaningful engagement with energy industry workers and their representatives. There is an untapped resource of industry knowledge and expertise that the Tasmanian Government must consider how to better engage and consult with representatives of workers and the broader community.

Absent this meaningful engagement, the Tasmanian Government's plan in its current form risks doing little more than entrenching much of the status quo.