

**THE HON. MALCOLM TURNBULL MP
PRIME MINISTER**

TRANSCRIPT

16 March 2017

Television interview with David Lipson

Lateline, ABC

SUBJECTS: Snowy Mountains Hydro Scheme 2.0; energy security; penalty rates; WA election; preferences.

E&OE...

DAVID LIPSON:

Prime Minister, thanks for joining us on Lateline.

PRIME MINISTER:

Great to be with you.

DAVID LIPSON:

Your plan for the Snowy 2.0 will add another 2,000 megawatts to the grid, at least, how much of that will be pumped hydro?

PRIME MINISTER:

It will be all pumped hydro. It enables the - all that additional generation to be delivered because you are reusing the water. And so what they will do - and they do this already, they've got one pumped hydro facility, this will give them a second and much bigger one - what they do is they use cheap electricity in the middle of the night, often from wind farms that are whirring away without much demand for their energy, they use that to pump the water up the hill and then when there is more demand during the day, it runs down through the turbines.

It will also increase the flexibility of the whole Snowy Hydro network so it will add to the efficiency of the hydro system but the big innovation here is the addition of this big pumped hydro, this big storage - it is gigantic battery if you like.

DAVID LIPSON:

As you know it takes a lot more power to pump the water back up the hill than it does -

PRIME MINISTER:

Not a lot more, about 20 per cent more.

DAVID LIPSON:

Than it does to generate power on the way down the hill. So you've suggested wind is one of the sources that will pump it back up the hill?

PRIME MINISTER:

Well, it can be any source, I mean if you -

DAVID LIPSON:

Would it be coal for example?

PRIME MINISTER:

It could be whatever is available, any power that is available. Much of it at night. You have a lot of baseload power from coal fired power stations that is whirring away without much demand, but it is essentially an arbitrage so if you're - the example the Chief Executive Paul Broad gave me, he said if we buy power for example at \$40 a megawatt hour, which is a lot more than you'd often have to pay in the middle of the night, if we can sell it for \$50 or more, we break even. So that's roughly the margin.

The volatility in electricity prices that we're seeing, where you get prices spiking up to hundreds and indeed thousands of dollars, having that storage enables you to reduce that volatility and that is why it will not only provide more energy security but it puts downward pressure, it puts a bit of a break on rising energy prices.

DAVID LIPSON:

But there will be additional solar and wind fed into that pumped hydro system - do you foresee it?

PRIME MINISTER:

Sure, well, yes, the answer is yes. You're seeing more renewables coming into the grid and what storage does is it makes renewables reliable.

And this is the mistake that South Australians made by having so much wind in their grid, closing down coal-fired power stations and gas-fired power stations and not having the backup or the storage.

So one of the other storage projects we are advancing is one in South Australia, much smaller than the Snowy project of course but which would provide some storage in South Australia.

But overall, storage makes renewables reliable and so you need a lot more storage. That's what we are delivering here.

DAVID LIPSON:

So you've said that this could be online, delivering power to people within four years at best. Victoria's Hazelwood power station is going offline in two weeks. It's not going to help Victoria at this point is it?

PRIME MINISTER:

Well you've got a plan for the future. You know, politicians often get criticised for being too short term.

The Snowy Hydro Scheme was built over 25 years and this is a project that we can add to that scheme within four years, and this is the company's estimate, not mine.

But remember, this has all been designed. This project - all the drawings have been done, all the engineering has been done. What they need to do is to update it with modern technology, modern tunneling technology. They believe they can do that update by the end of the year and once the environmental approvals are given, they will be able to start.

DAVID LIPSON:

This will primarily feed energy into the grid along the east coast. You've pointed out many times, and so have others in your Government, that the centre of the storm of the moment is South Australia -

PRIME MINISTER:

Well South Australia is part of the -

DAVID LIPSON:

They've had four power outages in the last few months. Yes, they are part of the grid, but this won't primarily go to South Australia will it?

PRIME MINISTER:

It will support the whole national electricity market which does include South Australia.

South Australia has become extremely dependent on the rest of the network, particularly Victoria and the mistake they made was to have an enormous amount of wind which can provide on any given day 100 per cent or more of the state's demand, or zero per cent. Right? And what they did was get rid of backup power in the sense of gas, they got rid of baseload power in the sense of coal and they did nothing in terms of putting in place storage. And this is how they - so what they were relying on was a very long extension cord connected to the Latrobe Valley in Victoria and so you had all of that pressure on all of that transmission.

DAVID LIPSON:

So how will this actually help South Australia? You're saying because, what, the Victorian grid will have more energy - they will have more to provide to South Australia?

PRIME MINISTER:

It will provide additional power for the whole of the grid and last night, Snowy Hydro told me that there was a failure at one of the big coal-fired power stations in New South Wales. Snowy Hydro was able to come on with the power in 90 seconds, with 90 seconds notice they could come on with the power to stabilise the grid, maintain the frequency that is required.

Snowy Hydro is a very, very resilient, very important part of the grid. And because of its ability, particularly when we enhance it with this project to store more electricity, it will make it an even more important part.

It is more needed now than it was when it was built because of the fact that so much of our energy comes from variable sources.

That's why I say this will provide security, greater affordability, greater stability and because of that storage you can make renewables reliable or much more reliable.

DAVID LIPSON:

Do we need another interconnector though to get to South Australia? It is a long way to go around and as you know electricity is lost the further it goes. Do we need another interconnector between New South Wales and South Australia?

PRIME MINISTER:

Well there is a case being made for that and that's being looked at.

DAVID LIPSON:

Would the Federal Government chip in?

PRIME MINISTER:

Well it would be – it's infrastructure that has been looked and the regulators are examining at the moment. But there is a case being made for that. And I am not going to pre-judge that.

DAVID LIPSON:

But you're open to it at this point?

PRIME MINISTER:

I am open to any solutions and technologies – any and every solution and technologies that will deliver secure and affordable power. I'm not interested in ideology or politics on this. What I want is economics and engineering to deliver secure and affordable power for Australian families. Keep downward pressure on prices. Make sure the lights stay on. And deliver the power that we need for businesses that supports millions of jobs.

DAVID LIPSON:

It's just that clearly Premier Jay Weatherill saw today's announcement as a bit of a slap in the face - \$2 billion to provide power primarily along the east coast. Yes, it will flow through to South Australia but they are facing black outs now and the best that you can offer South Australia are insults about their power system there -

PRIME MINISTER:

David, I am not interested in participating in stunts and fake indignation and anger. Let's be clear -

DAVID LIPSON:

So what's on the table for South Australia then?

PRIME MINISTER:

Right. Weatherill created the problem himself. He is the one that closed base load power, he is the one that saw gas-fired power stations go out of operation, he is the one that did nothing on storage. That's a fact. Now that was the mistake he made.

What have we done? We have already provided funding to support a storage facility on the Spencer Gulf. Now it's not nearly as big as Snowy Hydro, but it would provide 200 megawatts of power - [inaudible] to full scale – for about eight hours. That could be very significant in supporting the state.

So the failure of the Labor Government in South Australia was a complacent negligence in not putting place the backup, the storage and the backup generation to look after them when the wind wasn't blowing. Instead they just kept on relying more and more on Victoria.

We have stepped in to help in terms of storage. Jay Weatherill's raging performance was unedifying and it says a lot about where he is thinking at the moment. How he is feeling about his situation, I think.

DAVID LIPSON:

A few other issues I want to go to. One of them is penalty rates. Will the Government actually put in a submission to Fair Work to recommend a phasing in of penalty rates as you have suggested?

PRIME MINISTER:

We've been asked to provide some advice on some technical issues. Certainly we would welcome the Fair Work Commission – as they've indicated they would – phasing it in over several years and in fact they've made it a decision-

DAVID LIPSON:

Do you have an idea of how many years?

PRIME MINISTER:

Well the Commission has actually said that their view, their provisional view is that it should be over –not less than two years but not as long as five years.

DAVID LIPSON:

Do you have a view?

PRIME MINISTER:

Well again, we're looking at it. It's a technical issue but I think their approach is consistent with past decisions that they've made. For example, when modern awards came in in 2010.

DAVID LIPSON:

Just on the WA election. What lessons have you learnt, taken out of what happened there and the big loss for Colin Barnett?

PRIME MINISTER:

Well I think Colin led the state very well for eight and a half years but as he said himself, time catches up with governments and with leaders. And so there was an 'it's time' factor. I think that was overwhelming the biggest factor there. But he did a very good job. He became Premier when the State was in the depths of the Global Financial Crisis. We then had the extraordinary commodities boom, masses of investment in Western Australia in resource projects. And then of course when that investment came to an end and the projects were built, a very difficult economy to manage and he managed it very well. But it has been a turbulent time because of that. And he has built an enormous amount of infrastructure and he has provided great leadership in Western Australia. And Australia owe him a debt of gratitude but time runs out in politics as he acknowledged.

DAVID LIPSON:

What about the issue of preferences though? Many have blamed his preference deal with One Nation as being a significant factor in such a big, brutal loss for him? What do you think?

PRIME MINISTER:

That is not the insight that I'd draw from it but I think it was clearly an issue. But it was very much a local issue because of the very different relationship between the Nationals and the Liberals in WA. They're very competitive in that state and in the country and particularly at the federal level, we are in a very close coalition. As close as can be. And of course in Queensland, the Liberals and the National parties are one party – the LNP.

DAVID LIPSON:

So you are still open to preference deals with One Nation federally? Do you have an opinion in Queensland for example?

PRIME MINISTER:

What I have said is – and this has been consistent for many years – is that preference deals of any kind, any preferences are determined closer to the election. They are determined by the party organisation and I know that our opponents want to get us to make decisions and rule things in or out. Let me give you a good example about the Labor Party at the Orange by-election recently. The Labor Party preferenced the Shooters and Fishers Party ahead of the National Party. And one of the principle policies, probably the leading policy of the Shooters and Fishers Party is to abolish the National Firearms Agreement. That would fly in the face of everything that we've agreed on a bipartisan basis to ensure that extraordinary achievement of John Howard to reign in the proliferation of guns in Australia and keep us safe. The Shooters and Fishers have a different view. Labor preferenced them ahead of the National Party.

DAVID LIPSON:

Doesn't all of this though flow into people's disdain for the major parties at the moment. You seem to be saying – 'Look everyone does it, everyone shows a bit of hypocrisy.'

PRIME MINISTER:

No what I am saying is that parties - particularly in compulsory preferential system – you have to fill in every square. So parties have to work out what they are going to recommend. But ultimately, our position as the Liberal Party is always to encourage people to vote one Liberal.

Now because we are the major party, our preferences, particularly in the House of Representative seats are very rarely distributed. Because we generally end up being either the first or the second party at the end of the day. We are either the winner or the runner-up. But it is an important issue. We take it seriously. But it's something that is decided closer to the election and by the party organisation.

DAVID LIPSON:

Prime Minister thanks for joining us on Lateline.

PRIME MINISTER:

Thank you.

[ENDS]