



ACT AUDITOR-GENERAL'S OFFICE



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Performance Audit Report

Proposal for a Gas-fired power station and data centre – site selection process

The ACT Auditor-General, Mrs Tu Pham, has today presented a Performance Audit report titled '**Proposal for a Gas-fired power station and data centre – site selection process**', to the Speaker of the ACT Legislative Assembly.

In May 2007, the 'Canberra Technology City' consortium, of which ActewAGL is a member, proposed a gas-fired power station and data centre development to the ACT Government. The proposed project involved the construction of a gas-fired power station and its associated utility installations, a computer data centre, an overhead high voltage power line and a high pressure natural gas pipeline. The proposal also included a secondary site for a data centre in Belconnen.

The primary site selected for the CTC proposal was Block 1676 (formerly 1671), District of Tuggeranong.

The audit examined the Government decision-making process relating to the site selection for the proposed gas-fired power station and data centre. In particular, the audit focussed on whether audited agencies had complied with relevant Government policies and better practices, including community engagement and other consultation requirements, and took into account economic, social and environmental impacts on the community.

Audit Opinions and Key Findings

- Government agencies complied with the existing Government processes, leading to the agreement on a site (Block 1671, District of Tuggeranong) for the proposed Canberra Technology City project. These processes, however, were not sufficiently robust to give confidence that the public interest was fully taken into account.
- Under the current processes, the proponents have the sole responsibility to assess the best site for the proposed project and apply for a direct land sale. Government agencies did not formally assess and rank the relative merits of the proponents' suggested sites against a clear set of criteria. A suitable site that meets the commercial needs of the proponents may not necessarily equate to the optimum site from the Territory's point of view, when taking into account wider public interest criteria.

Project facilitation

- The Chief Minister's Department is responsible for coordination and facilitation of major projects for community and business development in the ACT. However, no formal policies or procedures for dealing with strategic projects existed within the Chief Minister's Department.
- In response to the commercial needs of, and the urgency communicated by, the consortium, the Government supported the Canberra Technology Centre proposal by committing to an Option over land without sufficient information and key documentation. The Government should have prepared a due diligence assessment of the consortium intended to carry out

the project, the involvement of ACTEW (a Government Business Enterprise), as well as ensuring that the claims made by proponents were valid and substantiated.

- The Government reduced key risks to the Territory by requiring the consortium to obtain an approved Development Application and to provide key information about the project, such as the business case, as conditions of a land transfer.

Planning and zoning

- Permissible uses for broadacre zoned land were not sufficiently clear to determine unambiguously that the Canberra Technology City proposal was a permissible use.

Land transfer process for the site selected.

- For the current project, ActewAGL first applied for the site at Block 7, Section 21, Hume that it had identified in 2002. Although not formally rejected, government agencies made clear to ActewAGL that this site was not the Government's preferred option because of the planned industrial land release of that area. ActewAGL believed that Block 7/21 remained available for its selection.
- ActewAGL identified and selected the presently proposed site, Block 1671, District of Tuggeranong. ActewAGL strongly considered this site to be the most suitable.
- Government agencies had significant discussions with ActewAGL concerning the site issues, and provided assistance to the consortium by identifying one site and agreeing to a Deed of Option for the sale of Block 1671, District of Tuggeranong.
- The Government decided to provide ActewAGL with a conditional Option over the land. This decision was to meet the commercial needs of the consortium for urgent security of land, and reflected the fact that the consortium was not yet in the position to meet the conditions for a direct land sale required under the relevant Disallowable Instrument.
- After the removal of the peaking power station from the proposal, and revision of the project to a smaller scale proposal, neither the Chief Minister's Department nor the Land Development Agency reassessed the merit of the Option for a direct land sale.
- ActewAGL offered to pay a non-refundable deposit to secure a direct sale of an earlier site, Block 18 of Section 23, Hume and acknowledged that LDA may also charge a refundable fee up to 10% of the value of the land. The Government agreed to a payment by ActewAGL of \$40 000 to secure the Option over the current site (Block 1671). The justification for the Government decision not to impose a more substantial deposit for a conditional option over the land was not strong.

Communication and consultation

- There is currently no legal requirement for the proponents or government agencies to consult with the community prior to the submission of a Development Application. Audit considers the limited legal requirement for consultation inadequate for significant projects such as the Canberra Technology City proposal.
- Government agencies relied primarily on ActewAGL, which acted on behalf of the consortium, for any pre-Development Application consultation, and this did not properly occur.

Recommendations

The audit made five recommendations to address the issues raised. All were agreed to by Government agencies.

Further Information

For further information, please contact Rod Nicholas, Director of Performance Audits and Corporate Services on 62070827. Copies of the report are available from the ACT Auditor-General's Office (Level 4, 11 Moore Street, Canberra City) and from its website, www.audit.act.gov.au.