

Chairman; Mr Ben Wyatt; Mr Bill Marmion; Mr Tony Krsticevic; Mr Bill Johnston; Mr Joe Francis; Mr Martin Whitely; Mr M.P. Whitely:

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**Synergy** —

Mrs L.M. Harvey, Chairman.

Mr W.R. Marmion, Minister for Commerce representing the Minister for Energy.

Mr J.K. Mitchell, Managing Director.

Mr B. Stratton, Chief of Staff, Minister for Energy.

[Witnesses introduced.]

**The CHAIRMAN:** The member for Victoria Park.

**Mr B.S. WYATT:** I refer the minister generally to page 596 on Synergy's relationships with its 900 000 customers.

**Mr W.R. MARMION:** The member has lost me on the page already.

**Mr B.S. WYATT:** Again it is page 596; there is only one page for Synergy.

**Mr W.R. MARMION:** I must have the wrong file! Yes, I have it.

**Mr B.S. WYATT:** Also linking that, as I did previously with the Treasury department, which has set out the dividends payable by Synergy. For the current year, 2009–10, the budgeted dividends payable from Synergy amount to \$24.4 million. However, the estimated actual for 2009–10 is now \$64.5 million, an increase of some \$40.2 million, or 264 per cent. I appreciate that the budget would already have included in it the price rises when Treasury got to that original figure of \$24.4 million. Can the minister tell me what is driving that massive increase in dividends in 2009–10? I dare say some of it would be demand and some of it would be the increased dividend payout ratios.

**Mr W.R. MARMION:** I appreciate that the member may not be referring to a line item. Is the member talking about a general dividend from Synergy?

**Mr B.S. WYATT:** Yes.

**Mr W.R. MARMION:** The member is not referring to a line item.

**Mr B.S. WYATT:** No, I refer generally to Synergy's relationships with its 900 000 customers and operations generally.

**Mr W.R. MARMION:** I seek the Chair's advice on how I answer this one, which is not related to a line item.

**Mr B.S. WYATT:** Okay, internal funds and balances.

**The CHAIRMAN:** Questions must be related to an item under consideration.

**Mr B.S. WYATT:** Madam Chair, the figure for internal funds and balances is \$11.5 million. The dividend payout ratio on Synergy has increased by 25 per cent, which obviously has an impact on the internal funds of Synergy. In light of the fact that the dividends expected from Synergy this year have increased by \$40 million, or 264 per cent, those questions that I put before remain valid. No doubt one of the minister's advisers can tell him that.

**Mr W.R. MARMION:** I will ask Mr Mitchell to comment on that.

**Mr J.K. Mitchell:** On page 144 of budget paper 2 there is a line item on dividends from Synergy going from \$24 million to \$64 million. Firstly, there has been more demand on the system; secondly, we have been the recipient of a number of one-off payments coming out of the wholesale market arrangements; and, thirdly, there has been an increase in dividend from 50 per cent to 75 per cent.

**Mr B.S. WYATT:** Through the minister: is Mr Mitchell able to comment on the increase from 50 per cent to 75 per cent in the dividend payout ratio? Is that something that will pose any problem to the ongoing general operations of Synergy, or is it something that can be quite easily factored into its revenue base?

**Mr W.R. MARMION:** I will ask Mr Mitchell to comment on that.

**Mr J.K. Mitchell:** I do not see any issue with the dividend ratio being at 75 per cent. It is derived after we have paid out all our operations and maintenance and recoveries from depreciation on capital expenditure.

**Mr B.S. WYATT:** I have one final follow-up question, if I may. Mr Mitchell referred to a couple of large payments from some wholesale customers. Are they expected to be ongoing? I note for the 2010–11 financial

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year there is another large increase to nearly \$100 million in dividends before it drops back to \$66 million. Is that because Synergy is expecting that demand will continue to increase or some more large wholesale purchases?

**Mr W.R. MARMION:** I will defer to Mr Mitchell.

**Mr J.K. Mitchell:** The increase in 2010–11 basically comes not from market arrangements, but from demand increases, plus also the 75 per cent dividend. We are not expecting major market transactions at all such as we have received previously.

**Mr B.S. WYATT:** So the major factor in that is the dividend payout ratio increasing to 75 per cent then?

**Mr W.R. MARMION:** I will defer to Mr Mitchell.

**Mr J.K. Mitchell:** Correct.

**Mr A. KRSTICEVIC:** I refer to page 233 in budget paper No 3, which outlines increases for retail electricity prices for 2010–11. What is the government doing to help customers manage the recent increase in tariffs?

**Mr W.J. JOHNSTON:** Point of order!

**Mr B.S. WYATT:** Line item?

**The CHAIRMAN:** Member for Carine, we are on Synergy, page 596.

**Mr A. KRSTICEVIC:** I am actually looking at page 233 of budget paper No 3, *Economic and Fiscal Outlook*, which has tables of the price increases.

**Mr B.S. WYATT:** Yes, but you have to relate it back, as I had, to page 596.

**The CHAIRMAN:** Does the member for Cannington have a point of order?

**Mr W.J. JOHNSTON:** I think the member might be referring to the hardship utility grant scheme—HUGS—but it is not administered by the Synergy business unit.

**The CHAIRMAN:** Is the member for Carine's question about HUGS or is it about some other aspect of Synergy?

**Mr A. KRSTICEVIC:** Yes, it is about HUGS.

**The CHAIRMAN:** It is actually not Synergy.

**Mr W.R. MARMION:** It is Department for Communities.

**Mr W.J. JOHNSTON:** I want to ask the minister a question about page 596, but in doing so I need to preface it by reading words from page 589. A note under the table on page 589 states —

- (a) Funding was provided in 2009-10 to design and develop a subsidised premium net feed-in tariff scheme for micro-generation. This scheme will commence on 1 July 2010 for residential premises. The merits of extending it to small and medium sized businesses are still being evaluated. The premium net feed-in tariff will be paid through Government-owned electricity retailers, Synergy and Horizon Power. Details of the scheme will be made available prior to 1 July 2010.

The minister can see that I am asking a question that directly relates to the internal funds and balances of Synergy.

**Mr W.R. MARMION:** I have not got the page yet. My adviser is trying to find the page.

**Mr W.J. JOHNSTON:** Okay. I was just making the point so that we do not get confused with the debate we had a minute ago when we were talking about Horizon.

**Mr W.R. MARMION:** That is the Office of Energy.

**Mr W.J. JOHNSTON:** I am just pointing that out so that there can be no doubt that I am directing the question to the right portfolio, because a moment ago we had a debate that questions about the feed-in tariff should have gone to the Office of Energy. I just point out that the budget papers make clear that it is not a question for the Office of Energy; it is a question for the retailers. Therefore, in respect of the internal funds and balances for Synergy on page 596 that we are discussing, I need to know how many of Synergy's customers are expected to take advantage of the government's feed-in tariff scheme, and what allocations have been made to fund the feed-in tariff in 2010–11 and over the out years?

[8.40 pm]

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**The CHAIRMAN:** Member for Cannington, I can see the word “Synergy” mentioned only once on page 589. I assume you are referring to the note.

**Mr W.J. JOHNSTON:** Yes, that is correct.

**The CHAIRMAN:** Note (a).

**Mr W.J. JOHNSTON:** Note (a); indeed. That was to make it clear it is not a matter that needs to be addressed by another portfolio but, rather, this organisation.

**Mr W.R. MARMION:** My understanding is that this is totally an Office of Energy policy-driven matter. Synergy comes out the other end. Perhaps Mr Mitchell might be able to clarify how it relates to Synergy.

**Mr J.K. Mitchell:** If I could direct the member to page 237. Under “Synergy” the member will see “Feed In Tariff”. The funding department is the Department of Treasury and Finance.

**Mr W.J. JOHNSTON:** Is that page 237 of volume 1, or is Mr Mitchell talking about budget paper No 3?

**Mr J.K. Mitchell:** It looks like this.

**Mr J.M. FRANCIS:** Point of order, Madam Chair. I am very aware of the ruling you just made on the member for Carine’s question in relation to the requirement for the question to relate specifically to the division we are dealing with —

**Mr W.J. JOHNSTON:** It does. The member obviously was not listening to the question.

**Mr J.M. FRANCIS:** The member for Cannington will have his chance. The Synergy division commences at page 596. The member for Cannington is obviously referring to other budget documents and different pages.

**Mr B.S. WYATT:** That has been established already.

**The CHAIRMAN:** Member for Jandakot, the difference here is that the member for Cannington has found a definitive reference to Synergy on page 589. As he is able to directly link that to the off-budget authority that we are examining, I have allowed the question.

**Mr W.R. MARMION:** Can the member repeat the question, please? I got sidetracked. I think the member for Jandakot actually had a valid point —

**Mr W.J. JOHNSTON:** How many of Synergy’s residential customers are expected to take advantage of the feed-in tariff, and what allocation has been made to fund the feed-in tariff in 2010–11 and over the out years? I think the minister’s chief executive officer was providing an answer to that.

**Mr W.R. MARMION:** I just wanted to be clear what the question was.

**Mr W.J. JOHNSTON:** I am trying to get the right page reference.

**Mr J.K. Mitchell:** The Office of Energy, in conjunction with the minister’s office, determined the feed-in tariff arrangements. We are basically the recipient of those funds. We currently have around 17 800 customers who have a photovoltaic system. Each and every one of those will be eligible for the feed-in tariff. Our own internal calculations show that there will probably be a 30 per cent increase in that. Appendix 8 on page 237 of budget paper No 3 shows that Synergy is the recipient of \$4.791 million from Treasury and Finance with respect to the feed-in tariff. We are not funding it; it is coming out of Treasury and Finance. That is on the fourth last row from the bottom.

**Mr W.J. JOHNSTON:** Yes; it says “DTF”. So that is the cost there.

**Mr J.K. Mitchell:** Correct.

**Mr J.M. FRANCIS:** I refer the minister to page 596, “Synergy”, “Works in Progress”, “Information Technology”—the line that says “Customer Information and Billing System”. I should preface my question, if I may indulge, in saying that I called this number yesterday because I had lost my overdue home electricity bill. I did not have my account details. The staff were exceptionally professional, friendly and very helpful. I can only say good things about that section of the office.

My question relates to customer information and billing. Could the minister provide further details on the implementation of Synergy’s customer care and billing system? Also, what is Synergy doing as far as customer information is concerned to educate people about the increase in tariffs and how they can gain assistance if required?

**Mr W.R. MARMION:** The member is right—Synergy has implemented a new billing and customer care system that started in September 2009. As expected in implementing a sophisticated system, and in migrating enormous volumes of data, some errors and anomalies have been identified. They are being addressed with

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urgency. Although approximately 34 000 customers had not been billed within 90 days in December 2009, Synergy has reduced this to approximately 2 850 and continues to work on clearing the backlog as a priority. Synergy also offers extended payment terms to any customer that has received a bill for more than a 90-day period. Despite the billing issues, Synergy's implementation can be considered a success when compared with similar projects in other jurisdictions. Synergy has issued 3.6 million accounts correctly and on time since the implementation of its new, complex system. Synergy now has a world-class operational platform that will be able to accommodate new services and technologies as they develop. New products include bill smoothing, which enables customers to spread seasonal variances in accounts over the whole year, thereby avoiding high bills at times when substantial heating or cooling is required. The new system also allows customers to request payment extensions. This is via the web. These are automatically processed. Advice of the outcome is available immediately. This feature has the ability to relieve short-term financial stress for those who encounter it. Synergy's adoption of the new billing system will drive down its operational costs, which is vital at a time of increasing pressure on tariffs. Mr Mitchell might be able to elaborate on any other aspects of the system, if he wishes.

**Mr J.K. Mitchell:** The platform gives us the opportunity to provide real products and services to our customers' needs, both now and tomorrow. We see that tomorrow's world is all about energy efficiency. Without that sort of system, we would not be able to help our customers. As prices go up, there is pressure across the entire value chain. We have to reduce our costs. This will allow us to do that. More importantly, it will allow us to provide serious products and services to customers.

**Mr A. KRSTICEVIC:** Minister, how will that help customers manage the recent increases in tariffs? What is the minister doing to help?

**Mr B.S. WYATT:** Good question!

**Mr W.R. MARMION:** It is going to smooth out. I said one of the aspects of the billing system is that we will be able to smooth out any problems in paying bills. We also have the hardship utility grant scheme —

**Mr B.S. WYATT:** People will actually get their bills each month as opposed to once every two years!

**Mr W.R. MARMION:** That is one area. Of course we have the hardship utility grant scheme. That topic was ruled out of order but it actually relates to Synergy. Mr Mitchell might want to explain how people experiencing billing difficulties can use HUGS, which is linked in with Synergy.

**Mr J.K. Mitchell:** Clearly our customers are facing increased prices. We are trying to educate customers. We had a major television campaign called "Switch Off". Members may recall barking dogs being switched off and graffiti artists being switched off, and so on. That had an incredible success rate. Our survey showed that 88 per cent of people understood the message, and 41 per cent were prepared to change their behaviour because of it. In the papers today it can be seen how we can save money on bills. One side is opportunity; the other side is the result, and so on. On our website we have a number of facilities where customers can work out savings if compact fluorescent lamps are installed and if standby power is turned off. There are other options in there with respect to growing trees, grass and vegetation to make the house and the environment around it air conditioned. We support our customers who have difficulties. We switch off only as an absolute last resort. We have developed a significant improvement on our financial hardship policy with the Western Australian Council of Social Service. We have worked with them. We have been able to reduce disconnections this year even below what they were last year. We are about 60 per cent down from where we were at in about 2006. We have introduced case officers who can help customers in real need, because if a person cannot pay the power bill, he or she probably cannot pay lots of other bills. Case officers advise customers where they can go for federal and state financial support and so on. We take that responsibility very seriously and seek to do as much as we can to assist the customer.

**Mr W.J. JOHNSTON:** I understand that this new billing system allows Synergy to charge SmartPower at different times. I understand that from 1 July the SmartPower summer peak tariff is rising 25.5 per cent, the summer off-peak tariff is rising 18.2 per cent, and the summer weekend shoulder tariff is rising 18.2 per cent. Can the minister explain how Synergy has calculated these increases in tariffs for the new SmartPower billing system?

[8.50 am]

**Mr W.R. MARMION:** That is a very good question, member. I understand Synergy has a very sophisticated modelling system—run by people in my electorate I think—and it is quite a fascinating model done by some rather smart mathematicians. I think that helps generate what the SmartPower meter readings should be for these different periods. Perhaps Mr Mitchell might like to elaborate.

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**Mr J.K. Mitchell:** The billing system does not calculate the prices; it is a different model entirely. We look at what our input costs are, so we basically look at how much it costs to buy baseload power, to buy intermediate power, and to buy peaking power. The results of the model have allowed us to basically now offer all but the highest peak rate in summer cheaper than the A1 rate. We are looking at how people might be able to change their behaviour and basically reduce their electricity costs. We have some people who we send cheques to every two months because they have been able to basically reduce their power consumption because they have been prepared to change their behaviour. I think this is a great opportunity for people to basically, if they can, do their washing and all that sort of thing in different hours than just peak hour, and then they will certainly benefit from switching to SmartPower.

**Mr B.S. WYATT:** I have a follow-up question. Through the minister, I think Mr Mitchell said a minute ago that tomorrow's world is about energy efficiency. Part of that is obviously Synergy's use of renewable energy, I would have thought. Where does Synergy source its renewable energy from, and what new sources of renewable energy are planned for 2010–11?

**Mr W.R. MARMION:** That is a good question. I will refer to Mr Mitchell.

**Mr J.K. Mitchell:** We are responsible for taking all the wind power from Albany and Emu Downs, and we have just recently announced another 206-megawatt wind turbine generation plant that will be the biggest in Australia bar one. We have entered into power purchase arrangements with people with respect to biomass, which is burning waste wood.

**Mr B.S. WYATT:** Is that the one in Merredin?

**Mr J.K. Mitchell:** Yes. We have entered into memorandums of understanding with Carnegie Corporation for wave energy; we have entered into memorandums of understanding with New World Energy, which won nine of the geothermal leases—eight in the Perth basin and one just north of Bunbury—with respect to how we might develop that in the future. We also have an expression of interest in the market right now, where we have received 22 offers for solar power across the state. Renewables is one thing—energy efficiency is something completely different. We are seeking to reduce the amount of power needed. Renewables produce power; energy efficiency is trying to actually reduce the total power need across the board.

**Mr M.P. WHITELEY:** This question is sort of related. My question is about the \$31.2 million being spent in 2011 and in the out years.

**Mr W.R. MARMION:** What page, member?

**Mr M.P. WHITELEY:** Page 596 of the *Budget Statements*. An asset investment program of \$31.2 million will be spent in 2010–2011 and the out years to enhance Synergy's high information technology environment. Earlier it was mentioned that 3.6 million accounts had been correctly issued by the new system: how many have been incorrectly issued or not issued; and how much of that \$31.2 million will be dedicated to fixing problems with Synergy's billing system? Also, how much revenue has been lost by Synergy so far; and what have been the costs expended to rectify the problems?

**Mr W.R. MARMION:** I thank the member for the question; I refer to Mr Mitchell to provide an answer to that question.

**Mr J.K. Mitchell:** We provided information as part of parliamentary questions some time ago that the cost has been around \$165 000 a month around December–January–February past. We are coming to the end of the “storm” period, and we expect to be completely out of the storm period in the second half of this year. As part of the project, we expected to have what we call our “storm”, and we are outworking that now and it was already part of the project budget.

**Mr M.P. WHITELEY:** The minister stated that 3.6 million accounts had been issued correctly with the new system. That is a pretty meaningless figure unless we know how many accounts have been issued incorrectly or how many accounts have not been issued at all.

**Mr J.K. Mitchell:** About 104 000 accounts went out late. Currently, about 2 700 people have not received a bill in more than 90 days, so we have been able to step that back considerably since the start.

**Mr M.P. WHITELEY:** That is the figure for how many accounts were late: how many accounts were incorrect—had the wrong figures?

**Mr J.K. Mitchell:** I do not have that information. Basically, the accounts are going out late—they are not going out incorrect. We offer payment terms when people receive an account for greater than 90 days and they have time to pay.

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**Mr M.P. WHITELEY:** Minister, if it has been possible to identify how many have been issued correctly, it must be possible to identify, in total, how many have not been issued or have been issued incorrectly. Will the minister undertake to provide that information by way of supplementary information?

**Mr J.K. Mitchell:** I will have to take that on notice.

**The CHAIRMAN:** Minister, could you be specific as to what you will provide by way of supplementary information?

**Mr W.R. MARMION:** Yes; let us try and get the words right.

**Mr M.P. WHITELEY:** The minister made reference to the fact that 3.6 million had been issued correctly, so how many have been issued incorrectly or not issued at all?

**Mr W.R. MARMION:** How many bills have been issued incorrectly?

**Mr M.P. WHITELEY:** Incorrectly or issued late, which is a form of incorrect.

**Mr W.R. MARMION:** And/or late.

**Mr M.P. WHITELEY:** And, just to give the minister some more specific guidance, how many have been affected by problems regarding the application of concessions to their bills—pensioner concessions or whatever?

**Mr W.R. MARMION:** I just have to make sure that we can provide these extra additional bits by the same date. I will have to clarify that with Mr Mitchell.

**Mr M.P. WHITELEY:** I would also like to have outlined how many calls of complaint have been registered with Synergy.

**Mr W.R. MARMION:** Is that in relation to the billing system?

**Mr M.P. WHITELEY:** In relation to the billing problems.

**The CHAIRMAN:** This is becoming a little bit more like a question on notice.

**Mr W.R. MARMION:** Yes; it is. Can we stick to the billing system?

**Mr M.P. WHITELEY:** That is what I am asking: how many calls of complaint have been made in relation to the billing system?

**Mr W.R. MARMION:** Can we just provide the information on the number of incorrect bills and maybe the member can follow it up with a question on notice to make sure that we have got that information?

**The CHAIRMAN:** Minister, it is up to you what you agree to supply via supplementary information.

**Mr W.R. MARMION:** We will supply the information on the number of incorrectly provided and/or late bills.

**Mr M.P. WHITELEY:** And errors on concessions will be covered in that.

**Mr W.R. MARMION:** No; I think that is getting a bit difficult.

**Mr M.P. WHITELEY:** Is that not a billing error? That is reasonable.

**The CHAIRMAN:** The minister can choose what he will supply via supplementary information.

**Mr M.P. WHITELEY:** That is not a billing error then!

**Mr W.R. MARMION:** We will provide the number of incorrect bills and/or those that were late or incorrectly billed at the time.

*[Supplementary Information No A57.]*

**The CHAIRMAN:** The member for Victoria Park has the call.

**Mr B.S. WYATT:** My questions are done.

**The CHAIRMAN:** The member for Cannington has the call.

**Mr W.J. JOHNSTON:** No, thanks.

**The CHAIRMAN:** Any further questions, members? That completes the examination of Synergy.

[9.00 pm]