



Hon Ben Wyatt MLA
Treasurer; Minister for Finance; Energy; Aboriginal Affairs

Our ref: 69-07152

Hon Alanna Clohesy MLC
Chair
Standing Committee on Estimates and Financial Operations
Legislative Council Committee Office
18-32 Parliament Place
WEST PERTH WA 6005

Dear Ms Clohesy

**2016-17 ANNUAL REPORT HEARINGS - QUESTIONS TAKEN ON NOTICE AND
ADDITIONAL QUESTIONS**

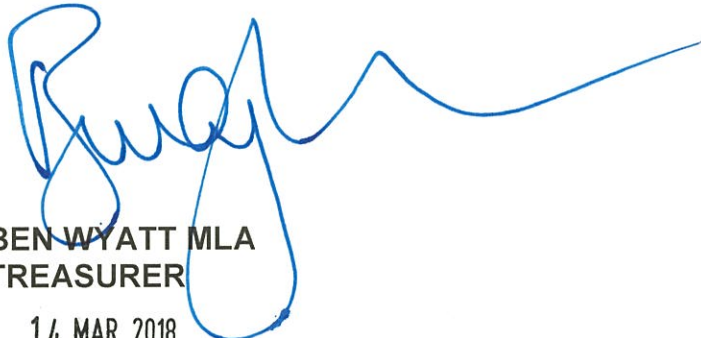
Thank you for your letter of 26 February 2018 requesting further information in relation to the 2017-18 Annual Report Hearings which took place earlier this year in February.

Please find enclosed supplementary information and responses to the additional questions asked of the Electricity Generation and Retail Corporation (Synergy).

If there are any queries, please do not hesitate to contact my office on 6552 5900.

I trust this information is of assistance.

Yours sincerely


BEN WYATT MLA
TREASURER
14 MAR 2018

Public / Internet

21/03/18

**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
2016-17 ANNUAL REPORT HEARINGS – SUPPLEMENTARY INFORMATION**

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. A1]

Question:

Hon AARON STONEHOUSE: I refer to page 13 of Synergy's annual report and the reportable incident during which wastewater leaked from a storage dam at a Kwinana power station site. Can you tell the committee what the cost of the new lining of the dam was and how much has been spent to date on the ongoing monitoring of the site as a result of the leak?

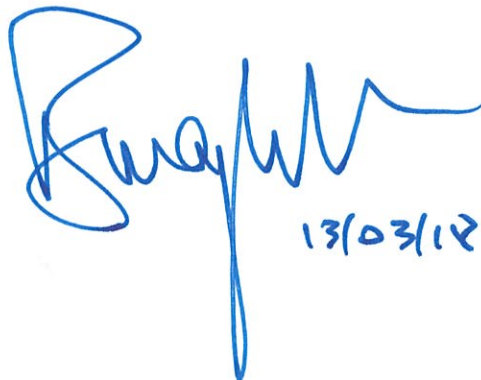
Hon STEPHEN DAWSON: I will ask Mr Waters to comment.

Mr WATERS: Yes, thank you for the question. I do not have the specifics in front of me. We can certainly provide that as further information on notice, if you do not mind.

Answer:

The cost of the new lining of two dams was \$357,000 inclusive of a new waste water recovery pumping system.

Ongoing monitoring of the site was undertaken between December 2016 and December 2017 and included monthly dipping of 12 groundwater wells and analysis of these results. The cost of ongoing monitoring was \$91,148.74 and included the installation of three additional monitoring wells.



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**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
2016-17 ANNUAL REPORT HEARINGS – SUPPLEMENTARY INFORMATION**

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. A2]

Question:

Hon COLIN TINCKNELL: Thank you for attending, minister and Synergy. Page 10 of the annual report states that Synergy is a leader in renewable energy and will balance renewable energy and traditional generation to ensure a secure electricity supply. One of my questions is: what percentage of electricity supply is from traditional sources and what from renewable energy sources?

Hon STEPHEN DAWSON: I will ask Mr Waters to comment on that.

Mr WATERS: If I can, I will take the specific detail on notice, and we will provide that subsequently.

Hon COLIN TINCKNELL: All right, can I then also add to that: can you provide a breakdown by percentage of how much each type of renewable energy generates, and the cost associated with generating that energy?

Hon STEPHEN DAWSON: We can provide that.

The CHAIR: Are you able to provide all of that information?

Mr WATERS: There will be questions around our ability to provide specific cost information, depending on the extent to which it is specific to a facility or a site, but I would be of the view that we could provide general information around some of that.

The CHAIR: For information you are not able to provide, you will be able to provide us with an explanation about why not.


Answer:

In financial year 2016-17 approximately 9 per cent of electricity supply on the South West Interconnected System (SWIS) came from large-scale renewable energy sources, with the remaining production primarily from coal and gas-fired generating plant. This vast majority of large-scale renewable production is currently associated with wind farm production.

In financial year 2016-17 large-scale renewable energy production from Synergy owned assets (including joint ventures) and privately owned assets underwritten via power purchase arrangements (PPAs) held with Synergy accounted for around 70 per cent of the total production from large-scale renewable energy sources.

During financial year 2016-17 large-scale renewable energy production from Synergy owned assets and Synergy PPAs represented approximately 8 per cent of Synergy's total supply position.

A comprehensive break-down of electricity production (GWh) from each generating unit operating on the SWIS during FY2016/17 is available from the Australian Energy Market Operator.


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**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
2016-17 ANNUAL REPORT HEARINGS – SUPPLEMENTARY INFORMATION**

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. A3]

Question:

Hon Dr STEVE THOMAS: I refer you to page 77 of your annual report and information relating to subsidiaries. Obviously the interesting one for me, coming from the South West Region, is Vinalco. I must admit that I am a little interested that it was a little hard to find information in your annual report on the proposals for particularly Muja AB and that component. In relation to the Vinalco project, a 100 per cent subsidiary of Synergy, can I ask you: At the end of the reporting period that is presented here, have you done a calculation of the total cost of that project from one end to the other? Have you put in the budget process an expectation for the decommissioning costs? I am interested to see, as a previous member mentioned decommissioning costs, what the proportion of decommissioning costs for that particular project are and how you have managed that process, and then, I guess, whether there is an estimation of the total cost of the Muja AB Vinalco revamp that may be presented. You must be planning for that overall estimate and cost at some point in time. If we can get some information on that project, I would be particularly pleased.

Hon STEPHEN DAWSON: I am happy to ask Mr Waters to comment on that. I do believe that this was something that Synergy was given as a result of the merger with Verve and it was not a deal it went into in the first place.

Hon Dr STEVE THOMAS: I am happy for complete honesty on both sides of the ledger here.

Hon STEPHEN DAWSON: I am happy to ask Mr Waters to comment as much as he can on this issue.

Mr WATERS: In terms of the original project and the cost overruns suffered, we certainly have calculated, and it has been subject to multiple investigations, inquiries —

Hon Dr STEVE THOMAS: The media have reported \$330 million. We can take that as the base level.

Mr WATERS: I think that is the kind of project cost.

On the first part of your question in regard to the total cost up until the closure of the annual report, we do not have that and the reason we do not is because for the majority of that period of time, really from about 2014 onwards, the power station was actually operating, so there were a lot of costs going into it which were typical maintenance costs, which you would expect with the operation of a facility. We can endeavour to provide something like that. However, it would be, I guess, inclusive of reasonable operation and maintenance charges that were invested in the plant over its running time beyond the completion of the original project that suffered the cost overrun.

Hon Dr STEVE THOMAS: Would you be willing to provide the cost to the end of the financial year or the annual reporting period in total and any estimates you have, and we will get to decommissioning costs in a bit? Would that be reasonable?

Mr WATERS: Yes, we can. I am happy to take that on notice.

Hon STEPHEN DAWSON: Mr Waters is happy to take that on notice. Obviously, as Mr Waters said, there are some variables or some things like maintenance costs that will be factored in there.

Mr WATERS: We will try to break those out.

Hon Dr STEVE THOMAS: If necessary. Maintenance is a normal part of the operation of the venture.

Answer:

The total cost of the Muja AB refurbishment project was, as responded by the Special Inquiry into Government Programs and Projects, \$308.4 million.

A handwritten signature in blue ink, appearing to be 'Fugy', with a long, sweeping horizontal stroke extending to the right.

**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
2016-17 ANNUAL REPORT HEARINGS – SUPPLEMENTARY INFORMATION**

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. A4]

Question:

Mr WATERS: In regard to the decommissioning, a share of our total decom provision is inclusive of the amount allocated to Muja AB. That amount would have been spent irrespective of whether the project was rejuvenated back in 2009 or not. That was always something we carried.

Karl, do you have the decom share of our total decom provision that was allocated to the AB site?

Hon Dr STEVE THOMAS: Or it could come as further information if necessary.

Mr MATA CZ: I have the total for all our sites, but not specifically for the Muja AB assets.

The CHAIR: You have the overall total?

Mr WATERS: We have the overall total. We can provide the Muja AB decom provision component on notice, if you like.

The CHAIR: Was that not part of A3?

Hon STEPHEN DAWSON: No; we have not gone as far as the decommissioning.

Hon Dr STEVE THOMAS: It is separate.

Answer:

The total Synergy group decommissioning provision as at 30 June 2017 was \$310.3 million.

Included in the total is \$20.3 million specifically for the Muja AB asset.


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**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
2016-17 ANNUAL REPORT HEARINGS – SUPPLEMENTARY INFORMATION**

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. A5]

Question:

Hon TJORN SIBMA: Gentlemen, you might understand the implied point that I am making here: that these agency hearings, dealing with an evaluation of annual reports, need some metric to gauge performance against. With respect to the annual report—I am not saying that it is an incomprehensive document—I just want to know how to accurately assess Synergy's commercial performance when I do not have data in the annual report that actually guides whether targets were met, justifications for why targets were not met or exceeded, and what the actual performance for the 2016–17 year was

Hon STEPHEN DAWSON: I will ask Mr Waters to make a comment first, and he might then hand over to Mr Matacz. We may well have to provide a level of detail on notice, but let us see what we can give you now.

Mr WATERS: I do appreciate your point, because we have targets and we report in the annual report. Unless you know what the targets were, it is very difficult to get a judgement on whether or not we perform well. Looking at our accounts that Karl has got there, the margin we achieved for FY17 was 5.3 per cent and the target —

Hon TJORN SIBMA: Sorry, Mr Waters; was that for your earnings before interest, tax, depreciation and amortisation?

Mr WATERS: Yes.

Hon TJORN SIBMA: Without being silly, so the actual was 5 —

Mr WATERS: What I was going to suggest, member, if you do not mind, is that we can actually provide a follow-up table comparing our actual results with those provided in the SCI and we can provide some commentary, because I think the next question, which I do not have right at my fingertips, although Karl may have a view, is: why did we finish a per cent shy of a target; what changed? If you are happy to take that as a question on notice?

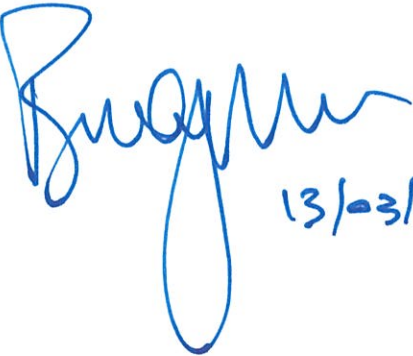
Hon TJORN SIBMA: More than happy to. I think that would certainly satisfy where I am going with this.

Answer:

	<i>SCI Forecasts 2016-17</i>	<i>Actuals 2016-17</i>
<i>EBITDA Margin (%)</i>	6.25%	5.3%
<i>NPAT Margin (%)</i>	0.17%	(0.40%)
<i>Return on Assets (%)</i>	(0.10%)	(0.50%)
<i>Return on Capital Employed (%)</i>	(0.20%)	(1.00%)

Key reasons for the unfavourable variance to budget are:

- *Overall favourable revenue variance, the combined result of favourable electricity revenue and unfavourable gas revenue.*
- *Overall unfavourable variance in direct costs of, the combined result of higher electricity purchases offset by lower than budget gas commodity costs.*
- *Unfavourable doubtful debt expense due to an increase in the doubtful debt provision. This is largely attributable to a reassessment of the recoverability of Synergy's retail trade receivables in circumstances of increased economic hardship for Synergy customers.*
- *Unfavourable depreciation and amortisation expense, primarily attributable to the closure of Muja AB and a combination of accelerated depreciation, decommissioning and asset impairment charges.*
- *Favourable net finance costs due to higher than anticipated interest receipts and the non-cash gain on the revaluation of electricity derivatives.*
- *Joint ventures contributing lower than expected profit throughout financial year 2016-17.*


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**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
2016-17 ANNUAL REPORT HEARINGS – SUPPLEMENTARY INFORMATION**

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. A6]

Question:

Hon COLIN TINCKNELL: I have just one interest question. I have a great interest in the Indigenous workforce. This is regarding your “Our People” part of your report. Can you give a rough figure of the percentage of your workforce being Indigenous? If you cannot give that, could you just give me some idea of the courses or programs that you may be running to assist in that area? I notice that your staff took part in NAIDOC Week and things like that. I would just like some idea of that.

Hon STEPHEN DAWSON: I will pass that on to Mr Waters. It is a good question, member. I think a few of us in this room have a strong interest in the Indigenous workforce and increasing that across the public sector.

Mr WATERS: As do we. In terms of the current percentages, I would have to take that on notice, if you do not mind. I am more than happy to provide that.

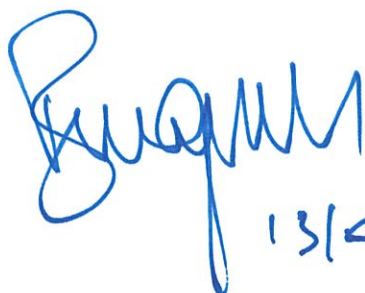
The CHAIR: We will give that A6.

Answer:

During Synergy's recruitment process it is optional for people to identify themselves as indigenous.

Financial year 2016-17 statistics show that just under 1 per cent of Synergy's workforce identify as indigenous however this may not be accurate as some indigenous people may not fill out the form to say they are in fact indigenous.

Synergy's indigenous trainee program was launched in financial year 2017-18 and there are currently two indigenous trainees employed in the Generation Business Unit at Muja Power Station.


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**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
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Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. A7]

Question:

Hon STEPHEN DAWSON: Can I clarify, member, are you asking for the number of people who access the hardship utilities grant scheme who may well have been Synergy customers?

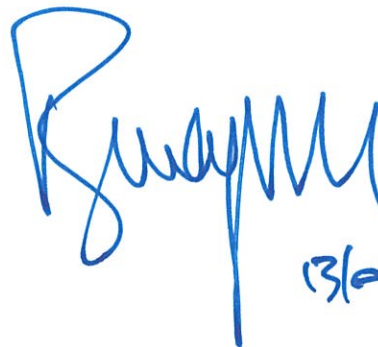
Hon TJORN SIBMA: Yes, please.

Mr WATERS: We could provide that.

The CHAIR: Okay, for 2016–17.

Answer:

28,467 Synergy customers accessed the hardship utilities grant scheme in 2016-17.


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**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
2016-17 ANNUAL REPORT HEARINGS – SUPPLEMENTARY INFORMATION**

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. A8]

Question:

Hon TJORN SIBMA: On a related matter—you may wish to get back to me on this as well—do you have data available on the number of customers who were disconnected from Synergy for exactly the same period of time and presumably on the basis of non-payment or late payment of bills?

Mr WATERS: We will do it on disconnection, and we have that data. We can take that on notice and provide information for the reporting year on that as well.

The CHAIR: Sorry; can I just get clarification? Is that disconnection for non-payment of accounts? Is that it?

Mr WATERS: It will just be disconnections.

The CHAIR: Just disconnection for any reason.

Hon TJORN SIBMA: Disconnections for any reason. I made an assumption there, but I am just happy to go with the data you have.

Mr WATERS: It will not include move in, move out. It will not include people who just sell the house. It would be disconnection on the basis of non-payment.

The CHAIR: Can we have an explanation with that data when comes?

Answer:

15,003 customers (business and residential combined) were disconnected in 2016-17.


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