

ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

2016-17 Budget Estimates – Generic Questions to agencies

**Synergy****Agency Expenditure Review Program**

- (1.1) *How will the savings measures identified in the Budget be achieved by your agency?*
- (1.2) *What are the risks to achieving the savings identified?*
- (1.3) *Are there any low priority programs your agency is ceasing or reducing? If so, please provide details.*

Answer:

- (1.1) Since the merger two years ago, Synergy has embarked on a business efficiency program (BEP) recognising the need to be as efficient and lean as possible in order to eliminate State subsidies and reduce costs. The BEP is ongoing and imperative to Synergy's transition to a new energy future, with both a strong internal focus on improving efficiencies and building new capabilities to ensure the business is prepared and primed for success.

In the 2015-16 financial year Synergy achieved a reduction in operating costs in the order of \$40 million, a reduction in capital spending of \$19 million, a reduction in operating expenses of \$39 million, all driven out of the business' commitment to the success of its BEP.

- (1.2) The current reforms to the electricity market will greatly assist Synergy in achieving its savings targets. A loss of momentum on these reforms poses a significant risk to Synergy achieving its savings.
- (1.3) No.

National Partnership Agreements

- (1.4) *Please provide a list of:*
- *all national partnership agreements under which your agency receives funding*
 - *the expiry dates of those agreements*
 - *how much was received in 2015-16 under the agreements and the budgeted amount for 2016-17*
- (1.5) *Please provide details of the value of the impact on your agency's budget resulting from the expiry of those agreements.*
- (1.6) *Will the State be making up the loss in funding resulting from the expiry of agreements?*
- (1.7) *If so, how and, if not, please provide details of any cuts that will need to be made and the implications for service delivery by your agency.*

Answer:

(1.4) – (1.7) Not applicable.

Commonwealth grants

(1.8) *Please provide the same information requested for national partnership agreements above for any Commonwealth grants received by your agency.*

Answer:

(1.8)

(i) *all national partnership agreements under which your agency receives funding*
Answer: Synergy receives Commonwealth grant funding from the Australian Renewable Energy Agency for its Alkimos Beach Energy Storage Trial.

(ii) *the expiry dates of those grants*

Answer: November 2020.

(iii) *how much was received in 2015-16 under the agreements and the budgeted amount for 2016-17*

Answer: 2015-16 - \$1.2 million (realised) + \$1.21 million (predicted before 30 June 2016) = \$2.41 million

2016-17 - \$200,000 (budgeted)

(iv) *Please provide details of the value of the impact on your agency's budget resulting from the expiry of those agreements.*

Answer: Not applicable. This grant is for the purpose of assisting to fund a discrete project.

(v) *Will the State be making up the loss in funding resulting from the expiry of agreements?*

Answer: No.

(vi) *If so, how and, if not, please provide details of any cuts that will need to be made and the implications for service delivery by your agency.*

Answer: Not applicable.

10-Year Strategic Investment Plans

(1.9) *Please provide a copy of your 10 year Strategic Asset Investment Plan.*

Answer:

(1.9) This document is classified Cabinet-in-Confidence.

Infrastructure requirements

(1.10) *What are your agency's infrastructure requirements for the next 10 years? Specifically:*

- *What infrastructure needs to be replaced, upgraded or built to meet demand?*
- *What allocation has been made in the Budget for the planning and delivery of these requirements? Is the allocation in capital works?*

- *In what time frame will the requirements be delivered?*

Answer:

(1.10) Synergy's funded infrastructure program is detailed in the Asset Investment Program section of its financial statements as reported in Budget Paper No.2. The program currently covers the period from 2016-17 to 2019-20. Any infrastructure requirements outside this period are subject to further Budget deliberations and remain Cabinet-in-Confidence.

Sale of vehicles

(1.11) *How many vehicles does your agency expect to sell in the 2015-16 financial year?*

(1.12) *How many vehicles does your agency expect to sell in the 2016-17 financial year?*

(1.13) *What is the estimated total proceeds from the sales in each of the above financial years and how will those funds be allocated?*

(1.14) *Will any of the sales in 2016-17 be part of the Agency Expenditure Review program and, if yes, how many?*

(1.15) *What will be the impact on agency staff (i.e. what alternative arrangements have been made for their transport)? What will be the cost of any alternative transport arrangements compared to the cost of retaining the vehicles?*

Answer:

(1.11) Twenty five.

(1.12) Eleven.

(1.13) 2015-16 - \$50,000
2016-17 - Nil.

The proceeds from the sale of vehicles form part of the general cash balance.

(1.14) Not applicable.

(1.15) There is not expected to be any negative impact on agency staff.

Full time/contract staff

(1.16) *What is the estimated total number of FTE staff in your agency for the 2015-16 and 2016-17 financial years?*

(1.17) *In each financial year, what proportion of your staff are engaged in:*

- *A contract of service (permanent staff)?*
- *A contract for services (contracted staff)?*

(1.18) *Of those staff that are engaged by a contract for services, please explain why they are not engaged as permanent staff.*

(1.19) *What is the cost to the agency of engaging contracted staff, including contract preparation, negotiation, payroll modifications, (i.e. where the contracts are renewed for staff on 6 month contracts) and cost of HR staff who manage the contracts?*

(1.20) *Are staff employed as contractors paid at a different rate to those who are permanent employees in a similar role and, if so, please provide details and explain why.*

Answer:

(1.16) 2015-16 - 852.4 (as at end May 2016)

2016-17 - Synergy has embarked on a business efficiency program and is currently undergoing significant change. In addition to this, on Thursday 7 April 2016, the Western Australian State Government announced changes to Western Australia's electricity market which will see Synergy reduce its plant generation capacity by 380MW by October 1, 2018. As such, it would be pointless and potentially distressing to project FTE numbers prior to analysis of the generation mix best suited for the South West Integrated System, and best suited to deliver sustainable commercial outcomes for Synergy and affordable electricity prices for customers.

(1.17)

- *Permanent staff*
2016-17- Approximately 80 per cent
2016-17 - Approximately 80 per cent
- *Contracted staff*
2015-16 - Approximately 20 per cent
2016-17 - Approximately 20 per cent

(1.18) Synergy employs staff based on the needs of the business and discreet requirements of each role. As such, the filling of positions is considered on a case by case basis.

(1.19) Providing this information would prove onerous to Synergy staff and I am not prepared to direct work away from core business needs.

(1.20) Both are benchmarked through the same market data. Third party contractors generally receive higher take home pay by approximately 25 per cent to cover the absences of any labour on-cost and entitlements received by permanent employees such as leave.

Media monitoring

(1.21) *How much does your agency spend on media monitoring, for example, newspaper clippings?*

(1.22) *Who provides this service to your agency?*

(1.23) *What types of media monitoring services are provided to your agency? Please provide details.*

(1.24) *On what basis is this service provided, i. e. ongoing contract or on a fee for service basis? Please provide details.*

Answer:

(1.21) 2014-15 Actual - \$60,392.30
2015-16 Estimated actual - \$36,726.75
2016-17 Budget estimate - \$23,750.00

(1.22) isentia.

- (1.23) isentia provides daily alerts and clips following monitoring of key words related to Synergy and the energy industry, mentioned in all forms of media.
- (1.24) The contract with isentia is ongoing, reviewed annually.