

Electricity Generation and Retail Corporation

trading as



**STATEMENT OF CORPORATE INTENT
2021-22**

TABLE OF CONTENTS

| | | |
|---|---|----|
| 1 | BUSINESS OVERVIEW..... | 4 |
| 2 | BUSINESS: EXTERNAL ENVIRONMENT AND INTERNAL CHALLENGES .. | 8 |
| 3 | STRATEGIC OBJECTIVES | 9 |
| 4 | PERFORMANCE MEASURES AND OBLIGATIONS..... | 11 |

PURPOSE OF STATEMENT OF CORPORATE INTENT

This Statement of Corporate Intent (**SCI**) is prepared in accordance with Part 5 of the *Electricity Corporations Act 2005 (the Act)*. It outlines the strategic direction of the Electricity Generation and Retail Corporation, trading as Synergy, over the 2021/22 financial year.

Synergy's shorter-term corporate intent and longer-term strategic direction are consistent with section 61(1) of the Act, which obligates Synergy to "act in accordance with prudent commercial principles; and endeavour to make a profit consistently with maximising its long-term value". Synergy's intended activities for the 2021/21 financial year, as outlined in this document, will help to address its current financial position and commercial sustainability, providing long term returns to the State Government and Western Australian taxpayers. This will largely be achieved by placing the customer at the core of all decisions and operations.

In accordance with section 99 of the Act, this SCI is also consistent with Synergy's Strategic Development Plan (**SDP**) 2021/26, which sets out Synergy's economic and financial objectives and operational targets over the medium term, as well as the commercial strategies and initiatives the business will pursue.

Pursuant to section 97 of the Act, this SCI is intended to apply for the corporation and any subsidiary and outlines the objectives; functions; performance targets; community service obligations; dividends and accounting policies for the financial year.

1 BUSINESS OVERVIEW

1.1 Strategic objectives

The Electricity Generation and Retail Corporation (trading as Synergy) owns and operates electricity generation assets, including thermal power stations and wind farms from Kalbarri in the north, Kalgoorlie in the east and Albany in the south in an electricity network known as the South West Interconnected System (**SWIS**).

Synergy is established under the *Electricity Corporations Act 2005* and owned by the State Government of Western Australia. Synergy reports to the Minister for Energy (**The Minister**), the Hon Bill Johnston MLA.

Synergy is the largest integrated electricity generator and retailer operating in the SWIS. It can utilise its diverse energy generation portfolio to supply reliable and efficient energy to wholesale and retail customers.

Synergy's purpose, "leading Western Australians to their intelligent energy future", is based on the ongoing role it plays in the State and what customers are demanding in the future. Synergy's purpose and its connection to customers underpins its decision-making processes, it is the central anchor that defines its role in the industry and the way it serves customers through improving existing and developing new energy solutions.

Synergy has a responsibility to improve its commercial sustainability to pursue long-term positive financial and service returns to the State Government and Western Australian taxpayers. This SCI has been developed consistent with section 61(1) of the Act to "act in accordance with prudent commercial principles; and endeavour to make a profit consistently with maximising its long-term value".

Synergy is regarded as being a leading customer centric utility, with a brand that is trusted by its customers. Synergy is responsive and proactively meeting the changing needs of customers and is providing an expanded range of products and services to create and enhance its position in intelligent energy.

Synergy's newly approved corporate strategy compels it to become a customer-centric, proactive, energy-solutions provider. The strategy provides clarity on who Synergy is, what it will do and how it will do it. In order to achieve this, Synergy will put the customer at the heart of everything it does. Systems, processes and capabilities, will drive an organisational wide effort that ensures resources are focused on activities that deliver on the strategy.

The 2021-22 year will be one of the most critical and transformational periods in the history of the energy industry, with a growing number of challenges faced by the sector more broadly, but also by Synergy specifically. Collectively, Synergy and its stakeholder partners must work together to ensure the challenges are overcome successfully for the benefit of all consumers and the State.

In the immediate term, Synergy will continue to work with the State Government on factors within its control and within the parameters below to address risks concerning Synergy's financial position. Given the unprecedented and changing energy sector, Synergy will also, where and if appropriate, advocate for any changes to its operations and management which could result in better outcomes for the State Government and the community.

Over the period that is the subject of this SCI, Synergy will progress the following:

(a) **Develop new products and services**

- (i) Synergy focuses on working with the customer to determine “bespoke” energy solutions based on their specific needs, whether they be as simple as delivery of low-cost and reliable energy, or to assist customers to become self-sufficient and monetise their excess supply; and
- (ii) Synergy will use data and energy technologies to innovate, more deeply understand its customers and anticipate their energy needs.

(b) **Strengthen relationships**

- (i) Synergy is a market leader - it partners with the State Government and other players (for example Australian Energy Market Operator (**AEMO**), Western Power (**WP**) and independent power producers and together they provide a set of solutions in a cost effective manner to maximise value to all Western Australians in the SWIS; and
- (ii) Synergy is a key partner to the State Government in delivering the Distributed Energy Resources (**DER**) roadmap successfully and is on the pathway to becoming a leader in DER aggregation and orchestration.

(c) **Optimise its portfolio of assets**

- (i) Synergy is working towards aggregating and orchestrating DER in the SWIS and has greater understanding of demand and supply;
- (ii) Synergy mitigates demand volatility by offering energy management solutions to the market; and
- (iii) in addition to the proposed large-scale battery at Kwinana, Synergy will consider further investment in storage systems as an option to support the acceleration of DER uptake, while still ensuring reliability and system security at the lowest cost.

(d) **Invest**

- (i) investment is focussed on tools and technologies that accelerate DER uptake and provide a return on investment to Synergy. As DER uptake increases, the focus will turn to opportunities for customers that wish to move off the grid;
- (ii) Synergy has invested in technologies that improve probabilistic forecasting of supply, demand, price, and optimisation, to improve its accuracy and incorporate more uncertain resources and uncertainty in general; and
- (iii) Significant investment will be required in systems, capability and energy storage assets (excluding the Kwinana large-scale batteries) over the next five years.

The pursuit of Synergy's strategic vision is underpinned by a set of values that are aimed at guiding the behaviour of all Synergy employees. The four core values are:

- (a) **Innovation** - this is driven by a belief that there are always better ways of doing things by embracing change and the opportunity of Synergy to shape its own future;
- (b) **Accountability** - for Synergy this means taking ownership and initiative to solve problems, demonstrating responsibility and taking ownership of decisions;
- (c) **Collaboration** - seeking and sharing both goals and the ideas that promote the best outcomes for the business, respect for team members and working cooperatively as one team; and
- (d) **Trust** - for Synergy this means acting with integrity and creating a work environment that sets others up for success, valuing peers, customers and the wider community in which Synergy operates.

Supporting Synergy's values are commitments to financial management, customer excellence and safety.

1.2 COVID-19 response

In response to the COVID-19 pandemic, Synergy enacted contingency plans to safeguard the delivery of critical services for customers. Synergy will continue to support every customer and their individual circumstances as the State continues to respond to the COVID-19 pandemic.

Synergy has an ongoing commitment to support customers in hardship through programs such as case manager one on one customer support, education for customers on how to reduce energy usage, and offering customers payment arrangements which vary bill payment frequency and amounts to take into account unexpected life events that impact their capacity to pay.

Synergy will deliver and implement two initiatives as part of the WA Recovery Plan - the Schools Virtual Power Plant (**Schools VPP**) pilot and the Smart Energy on Social Housing (**SESH**) pilot.

The Schools VPP pilot will transform ten schools into smart, green VPPs by receiving commercial batteries. The Schools VPP will be aggregated, centrally controlled and orchestrated by Synergy for the benefit of the school and local community.

SESH is a smart energy pilot for social housing. It will install solar panels and other DER on social housing to provide those who would otherwise not easily access renewable technology, the opportunity to unlock solar benefits. The project aim is to develop and deliver a scalable delivery model for DER on social housing that provides value to Synergy and tenants.

The pilot is expected to benefit around 500 properties, with program participants to save each year on their electricity bills.

1.3 Operations/activities

Synergy is the largest integrated electricity generator and energy retailer (**gentailer**) operating in the SWIS. Its objective is to utilise its diverse energy generation portfolio to supply reliable and efficient energy to wholesale and retail customers.

Currently, Synergy employs approximately 900 people servicing over one million electricity customer accounts and approximately 400 industrial and commercial gas customers.

Synergy owns Western Australia's largest electricity generation portfolio with 2,190 megawatts (**MW**) of capacity. Synergy also has 1,840 MW contracted under existing power purchase agreements with independent providers.

In line with the requirements of the Act and the *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013*, Synergy is functionally organised to deliver on its key purpose as follows:

- (a) **Generation:** responsible for the management of Synergy's generating assets, including the safe and reliable operations and maintenance of Synergy's power stations and associated infrastructure;
- (b) **Wholesale:** responsible for the wholesale trading of electricity and gas. The wholesale business unit (**WBU**) manages the dispatch of Synergy's generation fleet, independent power producer contracts and Synergy's fuel contracts. WBU buys electricity and related products and sells to retail and wholesale market participants under ring fenced arrangements; and
- (c) **Retail:** carries out the retail operations of Synergy, involving the pricing, sale and marketing of electricity and gas to customers. Retail is focused on customer experience and driving high levels of service and engagement.

1.4 Workforce Transition

Synergy is on track for the planned closure of Muja C Unit 5 by October 2022 and Unit 6 by October 2024. This action is a result of Synergy re-shaping its generation portfolio to more effectively match current and future electricity demand requirements.

Synergy's Workforce Transition program was developed in collaboration with its workforce, unions and the State Government to ensure a just transition for those directly impacted by the closure.

During 2020, Synergy's Workforce Transition plan was supported by 18 transition workshops, 3 employee roadshows and a series of information sessions. Synergy is now entering the next phase of its Workforce Transition Plan which supports 270 full time effected employees through an assessment of skills, redeployment, upskilling, training and development programs, assistance with job search, financial planning support and preparation for retirement.

2 BUSINESS: EXTERNAL ENVIRONMENT AND INTERNAL CHALLENGES

The next five years will prove to be one of the most critical and transformational periods for the energy sector not only in Western Australia but across Australia and the world. New technology, market adjustment, old technology interface and growing competition in a new-look market are still evolving. The energy market is rapidly changing with decreasing system revenue, pressure on scheduled generation, increasing customer inequity and, for Synergy directly, the requirement to purchase more energy at high prices and sell energy at low or negative prices.

Like many electricity utilities around the world, Synergy is facing significant disruption. Upstream generation activities are being challenged by the increased penetration of large and small-scale renewable generation.

As a Government Trading Enterprise (**GTE**) Synergy recognises it has a role to play in helping to transition to the new energy future. Synergy's assets are needed to keep the lights on, particularly during the transition.

Advances in downstream technology (such as battery storage, smart meters and blockchain) and the emergence of different business models enabled by distributed generation, such as, virtual power plants and peer-to-peer trading are changing the way electricity is traded, sold and consumed by customers. These technologies offer customers greater awareness, choice and more control over their electricity usage.

Increased solar generation during the day has the effect of requiring Synergy's scheduled coal and gas generation to ramp-up at a steeper rate to meet evening demand. The marked change to the electricity demand profile requires greater flexibility of supply, characterised by increased use of higher cost, flexible gas-fired peaking and mid-merit generators, until battery storage can be installed at scale, as well as more frequent plant shutdown and start-up cycles for base load coal generation.

Annual uptake of rooftop solar in the SWIS is expected to increase by a further 200-300 MW per annum over the next five years.

2.1 Declining growth in customer demand

Customers now have greater autonomy and more choice in the way they source, use, store and pay for electricity. In the short term, Synergy's energy demand from non-contestable customers is forecast to decline by 916GWh over the next four to five years.

2.2 Increasingly competitive landscape

Changes in customer expectations, competition from other retailers and technological disruptions are direct challenges to Synergy's future sustainability and economic performance.

2.3 Regulatory and policy environment

Synergy is supporting the State Government's GTE reform program and its proposed principles, which aim to streamline the operations of GTEs, standardise governance and accountability and strengthen oversight.

Synergy is also supporting the State Government's energy reform program by proactively working with the Energy Policy WA (**EPWA**) and the Department of Treasury (**DoT**) to progress and implement various reform elements. Synergy's commitment to supporting EPWA extends to providing funding and other resources.

Synergy will ensure internal business strategies and any new business models, products and services align with the State Government's energy reform agenda.

3 STRATEGIC OBJECTIVES

Synergy's SCI for 2021-22 has been developed with the objective of improving Synergy's commercial sustainability to pursue long-term returns to the State Government and Western Australian taxpayers. Accordingly, Synergy will:

- (a) continue to operate in Western Australia as a GTE;
- (b) be a trusted and aligned source of expertise for government and be a respected and trusted market participant, reflecting its leading role in the Western Australian energy landscape;
- (c) endeavour to be commercially sustainable and provide returns to its owner; and
- (d) remain a gentailer with a strong footprint in the generation, wholesale and retail markets.

In addition to Synergy's strategic objectives, the safety and wellbeing of its employees are fundamental to core business.

Synergy's key initiatives occurring during the period include:

- (a) continue preparations for the retirement of Muja C and the associated workforce transition;
- (b) ongoing refinements and optimisation of generation business unit operations and maintenance;
- (c) continue commercial discussions with Synergy's existing major fuel and power purchase providers with the aim of attaining mutually beneficial and sustainable financial outcomes and maintain positive long-term relationships;
- (d) consider further development of renewable energy generation opportunities;
- (e) actively investigating energy storage solutions to complement its generation fleet so that it is better matched to the changing energy market landscape importantly including system stability needs;
- (f) in collaboration with EPWA and other stakeholders, develop large-scale and small-scale energy storage opportunities;
- (g) continue to work proactively with EPWA to support the energy transformation taskforce program and other market reform initiatives;

- (h) obtaining fair compensation for essential system services by working collaboratively with the ETIU on the essential system services stream of the energy reform program;
- (i) aligning organisational structure and people capability to the new corporate strategy;
- (j) focussing on providing support and solutions for customers in hardship; and
- (k) digitisation of the workplace and customer platforms.

In achieving its purpose and objectives Synergy will:

- (a) live its values of innovation, accountability, collaboration and trust;
- (b) focus on being a cost-efficient, reliable and safe generator;
- (c) optimise generation fleet to meet market and commercial imperatives;
- (d) implement a workforce transition program to reflect its changing generation portfolio;
- (e) provide consistently high levels of customer service to best position Synergy for any possible future reduction in the contestability threshold;
- (f) continue to provide electricity and gas to tariff and contestable customers, and explore providing a broader set of behind-the-meter products and services to meet increasing customer expectations; and
- (g) proactively engage with stakeholders on its vision and plans for the future.

3.2 Synergy's strategic future

A transformative corporate strategy for Synergy to become a customer-centric, proactive, energy solutions provider has been noted by the Synergy board and the Western Australian Cabinet.

With the customer as its focus and its mandate, Synergy is moving to upgrade its Customer Engagement Platform (**CEP**). This will replace a variety of platforms and will result in a more integrated and bespoke customer service experience.

To support new DER markets and the State Government's DER roadmap, Synergy will investigate investing in systems and technologies that facilitate Synergy's customers becoming active market participants in generating, using and trading electricity.

Synergy will also play a strong role in consumer education, positively incentivising customers to change their behaviour, giving them control and helping them manage their own energy usage.

4 PERFORMANCE MEASURES AND OBLIGATIONS

Synergy's most recently approved forecast financial outlook is presented below.

4.1 Key performance indicators (KPI)

The business will manage day-to-day performance through the use of a wide range of operational KPIs. The measures and targets for these operational KPIs for 2021-22 are as detailed below:

| | 2021 -22 target |
|--|-----------------|
| Financial performance | |
| Earnings before interest, depreciation, amortisation and tax (EBITDA) | \$219.7m |
| EBITDA margin | 6.8% |
| Net profit after tax (NPAT) margin | 3.0% |
| Employee engagement | |
| Employee engagement survey result greater than or equal to | 4.4 |
| Employee safety | |
| Recordable Injury Frequency Rate (RIFR) lower than or equal to | 1.9 |
| Regulatory compliance | |
| Various legislative compliance requirements, number of material breaches | Nil |
| Customer service | |
| Customer Effort Score (CES) greater than or equal to | 68.2% |

4.2 Dividend policy

Consistent with the performance targets, dividends are agreed annually with government according to the profit results. Synergy will comply with the requirements of the Act. Section 126 of the Act requires the Synergy board to recommend a final dividend to the Minister as soon as practicable after the end of the financial year. Synergy's current dividend payout ratio is 75 per cent of the audited June year-end NPAT equivalent.

Payment of a final dividend, once accepted by the Minister with the concurrence of the State Treasurer (**Treasurer**), is generally no later than six months after the end of the financial year to which it relates.

Where an interim dividend is paid, the amount is offset from the final dividend payment.

4.3 Accounting policies and governance standards

Synergy's accounting policies are consistent with Australian accounting standards, applying the not-for-profit elections where applicable. Financial statements utilise the accruals basis of accounting and reflect the historic cost convention, except for derivative financial instruments and defined benefit obligations, which are measured at fair value.

In addition, the following guidelines and standards are considered to be most relevant to Synergy's corporate governance practice:

- (a) Australian standard: AS 8000-2003: good governance principles;
- (b) Australian standard: AS ISO 19600: 2014 compliance management systems – guidelines;
- (c) Australian standard: AS ISO 31000: 2009 risk management – principles and guidelines; and
- (d) Australian Stock Exchange (**ASX**) Corporate Governance Council, 4th edition, corporate governance principles and recommendations.

Although Synergy is not obliged to comply with the ASX guidelines, the business has committed to adopt best practice principles and practices that are in the best interests of its stakeholders.

4.4 Ministerial reporting

To meet the reporting requirements as outlined in the Act, Synergy will provide the Minister and Treasurer with a quarterly report (including a separate statement of financial performance for each business unit and subsidiary), for the first three quarters, and an annual report for the whole financial year.

Each quarterly report will be submitted one month after the end of the quarter. It will include:

- (a) an overview of performance including specific performance indicators as detailed in the SCI;
- (b) highlights of important achievements; and
- (c) consolidated financial statements with relevant accompanying notes.

The following additional confidential information will be provided:

- (a) on a quarterly basis, for the profit and loss statement, a summary of key variances to year-to-date budget with accompanying commentary; and
- (b) on an annual basis, within three months of the end of the financial year, a schedule comparing actual capital expenditure against budgeted capital expenditure, by project.

The annual report will follow the end of the financial year and will be provided to the Minister and Treasurer within the time specified by the Act. It will include:

- (a) consolidated statutory financial statements;
- (b) other statutory information required by the Act;
- (c) an overview of major achievements and an appraisal of future prospects; and
- (d) a comparison of performance with the SCI targets.

In addition to quarterly and annual reports, the Minister and Treasurer will be provided with:

- (a) an SDP and a one-year SCI;
- (b) a report on staff compliance with any board issued codes of conduct;
- (c) any information in Synergy's possession requested by the Minister;
- (d) quarterly overseas travel reports in accordance with Premiers Circular 2014/02;
and
- (e) a six-monthly report on consultants engaged on contracts for services in accordance with Premier's Circular 2019/06.

In communicating with the Minister, a formal protocol has been developed with the Minister's office covering comprehensive communications with the Minister.

The protocol is consistent with the Act and seeks to ensure the Minister is provided with information that is factual, timely and reflects the best information available at the time. Consistent with the requirements of the Act, Synergy will consult the Minister on items of significant public interest.

4.4.1 Matters agreed on between the Minister and board

The Minister has sought the agreement of the board on several matters in 2020-21 which will also apply in 2021-22. These include consultation on board appointments, the development of Synergy's corporate strategy, the grandfathering of the Renewable Energy Buyback Scheme (**REBS**), Synergy's dividend commitments, the SDP and this SCI.

4.5 Community service obligations

Section 99(1) of the Act defines "community service obligations" as "obligations to perform functions or to meet performance targets that it is not in the commercial interests of the corporation concerned to perform or meet".

As a GTE, Synergy understands its obligations not only to its customers but to the Western Australian community at large.

Synergy is subject to several obligations that are not in its commercial interests. This includes (but is not limited to) the administration of concession and rebate payments to eligible electricity customers and administration of the payment of the net feed-in tariff (**FIT**) scheme to eligible solar PV owners, representing the shortfall in available rebate provided for by the State Government.

Synergy has and continues to receive subsidies on behalf of its customers across a range of social concessions and to facilitate other government policies to better manage the cost of electricity to residential and small business customers in the south west of Western Australia.

The State Government periodically approves a suite of operating subsidies to be provided to Synergy to fund it for cost shortfalls that it is currently unable to recover, as identified under the financial viability project. The payment is to be treated as a community service obligation to meet performance functions or to meet performance targets that are not in the commercial interest of the corporation.

The State Government supports those under financial hardship or on a concession through a range of subsidies. These range from the Western Australian Energy

Assistance Payment (WAEAP) to supporting eligible customers with dependent children, to waiving several fees and charges.

Subsidies administered by Synergy on behalf of the State Government:

| Details of Payments (\$ million) | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|--------------|--------------|--------------|--------------|
| SESH | 2.0 | 2.0 | 1.0 | - |
| Hardship response | 1.7 | 1.7 | 1.7 | 1.7 |
| Project Symphony | 8.4 | - | - | - |
| DER aggregation and orchestration | 5.0 | - | - | - |
| EV charging stations | 0.2 | 0.1 | 0.1 | 0.1 |
| Distinct project or program subsidies | 17.3 | 3.8 | 2.8 | 1.8 |
| COVID-19 hardship response - \$600 Household Electricity Credit | 27.5 | - | - | - |
| Energy assistance payment (EAP) | 75.9 | 78.0 | 80.6 | 83.3 |
| Dependent child rebate (DCR) | 20.8 | 21.4 | 22.1 | 22.9 |
| Air conditioning rebate (ACR) | 0.1 | 0.1 | 0.1 | 0.1 |
| Account establishment fee waiver (AEF) | 1.1 | 1.1 | 1.1 | 1.1 |
| Late payment waiver (LPC) | 0.6 | 0.6 | 0.6 | 0.6 |
| Social concession subsidies | 126.0 | 101.2 | 104.5 | 108.0 |
| System Security Transition Payment (SSTP) | 98.7 | 82.4 | 76.9 | 57.4 |
| Renewable Energy Buyback Scheme (REBS) | 39.0 | 35.6 | 33.5 | 30.2 |
| Distributed Energy Buyback Scheme (DEBS) | 3.5 | 5.3 | 6.3 | 6.1 |
| Tariff equalisation contribution (TEC) recovery | 91.2 | 92.1 | 91.6 | 93.6 |
| Re-energisation fee recovery | 1.4 | 1.1 | 0.9 | 0.7 |
| De-energisation fee recovery | 2.1 | 1.8 | 1.5 | 1.3 |
| Paper-based bill fee recovery | 1.8 | 1.8 | 1.8 | 1.8 |
| Over the counter (OTC) fee recovery | 1.3 | 1.3 | 1.3 | 1.3 |
| Wholesale Electricity Market (WEM) reform | 4.4 | 4.7 | 4.3 | - |
| Financial viability project subsidies | 243.4 | 226.1 | 218.2 | 192.4 |
| Total operating subsidies | 386.7 | 331.1 | 325.4 | 302.2 |

Customers per subsidy (where applicable):

| Number of Recipients | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|------------------|------------------|------------------|------------------|
| Energy assistance payment (EAP) | 315,505 | 318,660 | 322,803 | 326,999 |
| Dependent child rebate (DCR) | 73,937 | 74,677 | 75,647 | 76,631 |
| Air conditioning rebate (ACR) | 330 | 333 | 338 | 342 |
| Account establishment fee waiver (AEF) | 29,724 | 30,022 | 30,412 | 30,807 |
| Late payment waiver (LPC) | 68,434 | 69,118 | 70,017 | 70,927 |
| Social Concession Subsidies | 487,930 | 492,810 | 499,217 | 505,706 |
| Renewable Energy Buyback Scheme (REBS) | 279,178 | 254,544 | 239,757 | 216,385 |
| Distributed Energy Buyback Scheme (DEBS) | 105,057 | 188,416 | 277,155 | 352,230 |
| Tariff equalisation contribution (TEC) recovery | 1,014,816 | 1,024,964 | 1,038,289 | 1,051,787 |
| Re-energisation fee recovery | 36,464 | 36,828 | 37,197 | 37,569 |
| De-energisation fee recovery | 47,018 | 47,488 | 47,963 | 48,443 |
| Paper-based bill fee recovery | 266,653 | 269,320 | 272,821 | 276,367 |
| Over the counter (OTC) fee recovery | 121,785 | 123,003 | 124,602 | 126,222 |
| Financial Viability Project Subsidies | 1,870,971 | 1,944,563 | 2,037,784 | 2,109,003 |
| Total Operating Subsidies | 2,358,901 | 2,437,373 | 2,537,001 | 2,614,709 |

4.6 Borrowings

At 30 June 2021, Synergy's total debt was \$218 million. Synergy's debt position is forecast to increase to \$311 million by the end of the 2021-22 financial year.

4.7 Pricing

Synergy exclusively supplies non-contestable customers (those consuming less than 50 MWh/year) in the SWIS. Tariffs for these customers are regulated and are annually reviewed and set by the State Government.

Synergy also supplies some contestable customers (those consuming greater than 50 MWh/year) within the SWIS through either a regulated tariff, which is annually reviewed and set by the State Government, or on market-based contract terms.

Synergy's fees and charges are also annually reviewed and set by the State Government.

Synergy and DoT provide advice to the Minister and Treasurer, respectively, as part of the tariffs, fees and charges setting process.

4.8 Appendix 1: Explanatory notes concerning KPIs

| KPI | Explanation |
|---|---|
| Financial Performance | |
| EBITDA margin | Measure of operating profitability margin regardless of capital structure (depreciation and interest payments) or taxes, calculated as: EBITDA / total revenue. |
| NPAT margin | Measure of profits of business operations - i.e. what remains after subtracting all the costs including depreciation, interest, and taxes from total revenue. |
| Employee engagement | |
| Employee engagement survey result | Employee engagement is measured through a twice-yearly employee engagement survey. |
| Employee safety | |
| RIFR | An occurrence that resulted in a fatality, permanent disability or time lost from work of one day/shift or more (Workplace Injury and Disease Recording Standard (Australian Standard 1885.1 – 1990)) |
| Regulatory compliance | |
| Various legislative compliance requirements | Proven breaches of environmental protection legislation. Proven breaches of market rules resulting in penalties. |
| Customer service | |
| CES | CES is the percentage of survey respondents who rate a 9 or 10 out of a 0 - 10 point rating scale for the question “How easy was it to interact with Synergy?” |