



**STATEMENT OF CORPORATE INTENT**  
**2023-24**

**ACKNOWLEDGEMENT OF COUNTRY**

Synergy acknowledges the Traditional Owners of the Land on which our business operates; the Whadjuk People of the Perth area and the Willman People of the Collie region. We pay our respects to Aboriginal and Torres Strait Elders past, present and emerging.

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## PURPOSE OF THE 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 2023-24 financial year (**FY24**).

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 FY24, as outlined in this document, will ensure its long term commercial sustainability.

In accordance with section 99 of the Act, this SCI is also consistent with Synergy's Strategic Development Plan (**SDP**) 2023-28, 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 to Synergy and any subsidiary and outlines the objectives; functions; performance targets; community service obligations; dividends and accounting policies for FY24.

## 1 BUSINESS OVERVIEW

### 1.1 Overview

Synergy is established under the Act and owned by the Government of Western Australia (**WA**). Synergy reports to the Minister for Energy, the Honourable Bill Johnston MLA (**the Minister**).

Synergy is the largest integrated electricity generator and retailer operating in the South West Interconnected System (**SWIS**) and utilises its diverse energy generation portfolio to supply reliable and efficient energy to over one million residential, business and industry customers. Synergy owns and operates thermal power stations and renewable energy generation facilities from Coral Bay in the north, to Kalgoorlie in the east and Hopetoun in the south.

In 2022, Synergy endorsed and commenced implementation of an evolved corporate strategy in response to two key drivers:

- the State Government's decision to retire Synergy's coal-fired generation assets by 2030 and commit \$3 billion towards the transition to renewable generation and energy storage; and
- increased demand for renewable energy solutions from contestable and industrial (**C&I**) customers to meet their own emissions targets.

The pathway for executing the evolved corporate strategy focuses on replacing Synergy's coal-fired power stations, meeting demand for renewable energy solutions from C&I customers and achieving an 80 per cent reduction in emissions by 2030 (from 2020/21 levels).

### 1.2 Operations

Synergy employs around 1,000 people, servicing over one million residential electricity customer accounts and approximately 7,000 business customers of which almost 200 are the large C&I customers.

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. The Thermal Generation Unit ensures the safe and reliable operations and maintenance of Synergy's thermal (coal and gas) power stations and associated infrastructure;
- (b) **Wholesale:** responsible for the wholesale trading of electricity and gas. The Trading and Governance Business Unit manages the dispatch of Synergy's generation fleet, independent power producer contracts and Synergy's fuel contracts. It 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. The Customer Business Unit is focused on customer experience and driving high levels of service and engagement.

## 2 BUSINESS: EXTERNAL ENVIRONMENT AND INTERNAL CHALLENGES

### 2.1 Synergy's evolution

Synergy is evolving from its previous core function of thermal generation to a generator and retailer of renewable, 'green' energy. To achieve this, Synergy's evolved corporate strategy will see the organisation continue to focus on the needs of its customers whilst delivering broader benefits to the community, the workforce and achieving positive outcomes for the environment. The evolved strategy aims to achieve Synergy's organisational purpose of 'leading Western Australians to their intelligent energy future' and is supported by four strategic pillars: 'Customer Centric', 'Solutions Focused', 'Proactive' and 'Social Value'.

### 2.2 Synergy's priorities for FY24

#### (a) Renewable generation and storage

Over FY24, Synergy will continue to progress the development of renewable generation and energy storage infrastructure to replace its coal-fired generation assets.

The most advanced project in this pipeline is King Rocks Wind Farm<sup>1</sup> which can deliver up to 150 megawatt (MW) and has received development approval. Additional renewable generation and energy storage projects will continue to be developed during FY24, including developments resulting from the outcomes of expression of interest (EOI) processes conducted in during FY23.

Synergy will also continue investigating new energy opportunities such as pumped hydro as an option for medium to long duration energy storage in the longer term.

#### (b) Customers

Over FY24, customers will continue to be at the core of everything Synergy does. Synergy is dedicated to helping its customers access affordable and efficient energy solutions, make empowered decisions about energy management, and navigate WA's changing energy landscape. This includes identifying and developing green energy opportunities for C&I customers.

#### (c) Customers and hardship

Synergy is committed to actively supporting customers experiencing financial hardship through individual case managers, programs such as the Household Energy Efficiency Scheme and Smart Energy for Social Housing (SESH) and a range of specialised services.

Synergy's Case Management program provides tailored hardship assistance options to customers experiencing severe financial difficulty. The program consists of a team of specially trained case managers who work one-on-one with customers. Synergy anticipates that during FY24 more than 6,800 customers will be supported through Synergy's case management program.

#### (d) Distributed Energy Resources

Distributed Energy Resources (DER) are smaller-scale devices that can use, generate, or store electricity and form part of the local distribution (low voltage) system. During FY24 Synergy will continue to deliver the following DER projects: Virtual Power Plants (VPP) for Schools, SESH and Project Symphony. Synergy will continue to identify and develop opportunities to expand the amount of DER under aggregation. These opportunities will be driven by a combination of customer demand, commerciality, overall system security requirements and decarbonisation objectives.

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<sup>1</sup> King Rocks Wind Farm - Project Overview: <https://engage.synergypower.com.au/project-overview>.

### (e) **Workforce Transition**

Since August 2019 when the Premier announced the staged retirements of Synergy's coal-fired Muja C Stage 5 and 6, Synergy has worked collaboratively with its workforce, unions, and the State Government to ensure a just transition for those directly impacted. Synergy will build and expand on this program leading up to the retirement of all state-owned coal-fired power stations by 2030.

## **2.3 Regulatory and policy environment**

Synergy is supporting the State Government's Government Trading Enterprise (**GTE**) reform program, which aims to streamline the operations of GTEs, standardise governance and accountability and strengthen oversight. Synergy expects to implement and operationalise the requirements under the new governing framework for GTEs during FY24.

Synergy is supporting the State Government's Energy Transformation Strategy reform program by proactively working with Energy Policy WA (**EPWA**) to progress and implement several market reforms.

Synergy will ensure internal business strategies and any new business models, products and services align with the State Government's energy reform and decarbonisation agenda. Where such activities create financial and reputational risk exposures, the State Government's explicit approval will be sought beforehand.

### 3 STRATEGIC OBJECTIVES

Synergy's SCI for 2023-24 has been developed with the objective of improving Synergy's commercial sustainability to pursue long-term returns to the State Government and the Western Australian community. 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 WA energy landscape;
- (c) endeavour to be commercially sustainable and provide returns to its owner; and
- (d) evolve to become a gentailer of green energy and focused on providing social value.

Synergy's key initiatives include continuing:

- (a) to identify and develop renewable energy generation opportunities and energy storage solutions;
- (b) to generate electricity and provide affordable and efficient energy solutions to Synergy's customers;
- (c) to develop and offer new products and services to meet customer's changing energy needs;
- (d) to provide support and solutions for customers experiencing hardship;
- (e) to work proactively with the government to support the Energy Transformation Strategy (ETS) and other market reform initiatives;
- (f) to work on DER projects including the Electric Vehicle Highway, Project Symphony, SESH and VPP for Schools;
- (g) to foster an inclusive work environment and increase the diversity of Synergy's employees and contractors; and
- (h) the just transition for employees and long-term embedded contractors in Collie.

In achieving its purpose and objectives Synergy will:

- (a) live its values of innovation, accountability, collaboration and trust;
- (b) focus on being cost-efficient, reliable, low emissions and safe;
- (c) optimise its generation fleet to meet market, commercial and decarbonisation imperatives;
- (d) strive to comply with applicable market rules;
- (e) implement a workforce transition program to reflect its changing generation portfolio;
- (f) provide consistently high levels of customer service;
- (g) align with the WA State Government on diversity and inclusion targets and priorities;
- (h) continue to provide electricity and gas to regulated tariff and contestable customers, and explore providing a broader set of behind-the-meter products and services to customers; and



- (i) proactively engage with stakeholders on its vision and plans.

### 3.1 Synergy's values

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 for 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.

### 3 PERFORMANCE MEASURES AND OBLIGATIONS

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

#### 3.1 Key performance indicators (KPI)

The business will manage day-to-day performance using a wide range of operational KPIs. The measures and targets for these operational KPIs for FY24 are as detailed below:

Key Performance Indicator (KPI)	2023-24 target
Earnings before interest, depreciation, amortisation and tax (EBITDA)	\$135.8m
EBITDA margin	4.1%
Net profit after tax (NPAT) margin	1.4%
Keep our people safe – Recordable Injury Frequency Rate (RIFR) lower than or equal to	5 <sup>1</sup>
Increase organisation diversity – Diversity index	5/5 <sup>2</sup>
Reduce emissions by 80% by 2030 (from 2020/21 levels)	4500kt CO <sub>2-e</sub>
Customer Effort Score (CES) greater than or equal to	68.2%
<sup>1</sup> Employee safety – RIFR has been increased to 5 from 1.9. The recordable injuries metric was updated in October 2022 and now includes injuries associated with lost time, modified duties, approved noise induced hearing loss claims and medical treatment.  <sup>2</sup> Scoring where each item is scored 0 if not met, or 1 if met (i.e. pass/fail): 1) Aboriginal and Torres Strait Islander (A&TSI) 10+ employees 2) Women in senior leadership +40% 3) Employees with disclosed disability +4.5% 4) Inclusion measure +60% 5) Increase spend with ATSI businesses (% of total procured spend) 3.5%	

#### 3.2 Dividend policy

Consistent with the performance targets, dividends are agreed annually with the State Government according to 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 percent of the audited June year-end Net profit after tax equivalent.

Payment of a final dividend, once accepted by the Minister with the concurrence of the Western Australian Treasurer (**the 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.

#### 3.3 Accounting policies and governance standards

Synergy's accounting policies are consistent with Australian accounting standards, applying the not-for-profit elections where appropriate. 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 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, 3rd 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.

### **3.4 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. Synergy will review the below reporting requirements and update (where required) when the proposed GTE Bill enters into force.

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 of any company under corporations law;
- (c) an overview of major achievements and an appraisal of future prospects;
- (d) a comparison of performance with the SCI targets; and
- (e) other information required by the Act to be included, such as the particulars of any directions given by the Minister.

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

- (a) an SOE and a one-year SCI; and

- (b) a report on staff compliance with any board issued codes of conduct.

The Minister will also be provided with:

- (a) any information in Synergy's possession requested by the Minister;
- (b) quarterly overseas travel reports in accordance with Premiers Circular 2021/02; and
- (c) a six-monthly report on consultants engaged on contracts for services in accordance with Premier's Circular 2021/17.

Synergy has formal protocols in place covering comprehensive communications with the Minister and representatives of the Minister's office.

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

### **3.5 Matters agreed on between the Minister and board**

The Minister has sought the agreement of the board on several matters in 2022-23 which will also apply in FY24. These include consultation on board appointments, Synergy's dividend commitments, the SDP, this SCI and the Annual Report.

### **3.6 Community service obligations**

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

As a GTE, Synergy understands its obligations is to its customers as well as the Western Australian community.

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 various buy back schemes with eligible solar PV owners.

Synergy has and continues to receive subsidies from the State Government 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. 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 to supporting eligible customers with dependent children, to waiving several fees and charges.

Subsidies administered by Synergy on behalf of the State Government are outlined in the following table:

Details of Payments (\$ million)	2022-23	2023-24	2024-25	2025-26	2026-27
Decarbonisation of the South West Interconnected System (SWIS)	15.1	-	-	-	-
CX360	13.0	10.0	0		
Emergency Solar Management	6.3	6.1	6.1	6.1	
SESH	2.0	1.0	-	-	-
COVID-19 hardship response	1.7	1.7	1.7	1.7	1.7
EV charging stations	0.1	0.1	0.1	-	-
<b>Distinct project or program subsidies</b>	<b>38.2</b>	<b>18.9</b>	<b>8.9</b>	<b>7.8</b>	<b>1.7</b>
COVID-19 hardship response - \$400 Household Electricity Credit	419.7	-	-	-	-
Cost of Living Support - Household and Small Business Credits	-	531.0	-	-	-
Energy assistance payment ( <b>EAP</b> )	81.6	84.9	88.4	92.0	95.8
Dependent child rebate ( <b>DCR</b> )	20.9	21.8	22.7	23.6	24.6
Air conditioning rebate ( <b>ACR</b> )	0.1	0.1	0.1	0.1	0.1
Account establishment fee waiver ( <b>AEF</b> )	0.8	0.7	0.7	0.7	0.7
Late payment waiver ( <b>LPC</b> )	0.6	0.6	0.6	0.6	0.6
<b>Social concession subsidies</b>	<b>523.6</b>	<b>639.0</b>	<b>112.4</b>	<b>117.0</b>	<b>121.9</b>
System Security Transition Payment ( <b>SSTP</b> )	116.4	76.9	57.4	-	-
Renewable Energy Buyback Scheme ( <b>REBS</b> )	18.3	60.7	31.1	23.1	25
Distributed Energy Buyback Scheme ( <b>DEBS</b> )	2.1	27.8	5.0	6.4	6.6
Tariff equalisation contribution ( <b>TEC</b> ) recovery	91.9	91.4	93.3	93.3	93.3
Re-energisation fee recovery	1.2	1.1	0.9	0.7	0.5
De-energisation fee recovery	2.1	1.8	1.5	1.3	1.0
Paper-based bill fee recovery	1.7	1.7	1.7	1.7	1.8
Over the counter ( <b>OTC</b> ) fee recovery	0.9	0.9	0.9	1.0	1.0
Wholesale Electricity Market ( <b>WEM</b> ) reform	4.7	4.3	-	-	-
<b>Financial viability project subsidies</b>	<b>239.2</b>	<b>266.5</b>	<b>191.8</b>	<b>127.5</b>	<b>129.6</b>
<b>Total operating subsidies</b>	<b>801.1</b>	<b>924.4</b>	<b>313.1</b>	<b>252.4</b>	<b>253.1</b>

### **3.7 Borrowings**

At 30 June 2023, Synergy's total approved debt limit is \$280 million. Synergy's debt position is forecast to decrease to \$211 million by the end of FY24.

### **3.8 Pricing**

Synergy exclusively supplies non-contestable customers (those consuming less than 50 MWh per year) in the SWIS. Synergy offers non-contestable customers regulated and non-regulated tariffs. The regulated tariff, also known as the A1 is set by the State Government and is reviewed annually. Non-regulated tariffs including the Midday Saver and EV Add-on are developed by Synergy.

Synergy also supplies some contestable customers (those consuming greater than 50 MWh per year) within the SWIS through either a regulated tariff, which is reviewed annually 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 the Department of Treasury provide advice to the Minister and Treasurer, respectively, as part of the tariffs, fees and charges setting process.

## Appendix 1: Explanatory notes concerning KPIs

KPI		Explanation
<b>Financial Performance</b>		
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.
<b>Employee safety</b>		
RIFR		Recordable injury frequency rate ( <b>RIFR</b> ).
<b>Diversity</b>		
Diversity index		<p>The diversity index is calculated where each item is scored 0 if not met, or 1 if met (i.e. pass/fail):</p> <ul style="list-style-type: none"> <li>a. Aboriginal and Torres Strait Islander (<b>A&amp;TSI</b>) 10+ employees;</li> <li>b. Women in senior leadership +40%;</li> <li>c. Employees with disclosed disability +4.5%;</li> <li>d. Inclusion measure +60%; and</li> <li>e. Increase spend with ATSI businesses (% of total procured spend) 3.5%.</li> </ul>
<b>Customer service</b>		
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?"
<b>Reduction in emissions</b>		
Scope 1 emissions as compared to 2020/21 levels		Scope 1 greenhouse gas emissions are the emissions released to the atmosphere as a direct result of an activity, or series of activities at a facility level. Scope 1 emissions are sometimes referred to as 'direct emissions'.