

Synergy —

Mr N.W. Morton, Chairman.

Dr M.D. Nahan, Minister for Energy.

Mr T.H. James, Chief Executive Officer.

Mr K. Matacz, Chief Financial Officer.

Mrs R. Kardos, General Manager, Retail.

Mr B. Stratton, General Manager, Strategy and Corporate Affairs.

[Witnesses introduced.]

The CHAIRMAN: This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 30 August 2013. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I give the call to the member for Cannington.

Mr W.J. JOHNSTON: I refer to the solar feed-in tariff scheme. The board of Synergy determined in 2011 that paying the solar feed-in tariff was not a payment in respect of operating the energy system. Has the board of Synergy changed its mind on this matter?

Secondly, the former Minister for Energy guaranteed in writing to Synergy on 11 April 2011 that Synergy would not be required to cover the cost of the solar feed-in tariff. Has the government reneged on this guarantee?

Thirdly, I note that neither the current minister nor the former minister has given a direction to the board of Synergy to absorb these expenses. Have they been absorbed into Synergy's income or are they paid directly by the government?

Dr M.D. NAHAN: I pass that to the CEO.

Mr T.H. James: There are two levels of feed-in tariff. There is the feed-in tariff to the target. I cannot remember the exact target that we are being compensated for by the government for the 40c and 20c. Then an amount was overrun on the target and we are carrying that ourselves.

[4.10 pm]

Mr W.J. JOHNSTON: Is the minister thinking of the renewable energy buyback scheme?

Dr M.D. NAHAN: We are talking about the feed-in tariffs, not the REBS; it is different. Part of the feed-in tariff is covered by the state; part of it is covered by Synergy. The member referred to correspondence with the previous minister and Synergy, and Synergy indicating that it was a non-commercial activity and needed a reference from the government to say it had to wear it. Synergy is wearing that cost. So far no reference from the government has been given to do so, but one will be given.

Mr W.J. JOHNSTON: Is the minister saying that Synergy is absorbing parts of the cost of the FIT? There has not been a direction to Synergy to absorb that, so has there been a board decision to reverse the 2011 decision?

Dr M.D. NAHAN: I cannot answer that. I will pass to the CEO.

Mr T.H. James: No, there has been no reversal decision. We are waiting for the direction, which we believe we will get soon.

Mr W.J. JOHNSTON: Under what authority has Synergy been absorbing those costs if it is contrary to the act for it to spend money on things that are not about "operating the energy system"?

Dr M.D. NAHAN: The board has many reasons to make decisions. I cannot answer on its behalf, but it has made a decision with the expectation of a direction coming from government to authorise it to wear those non-commercial costs.

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Mr B.S. WYATT: I refer the minister to page 309 of *Economic and Fiscal Outlook: Budget Paper No 3* and the contestable tariff increases. The Z tariff street lighting at 2013–14 is 11.8 per cent. The minister is aware of the debate and I do not intend to relive the debate. The way the debate went last week, the conclusion was that Synergy would write to local governments to let them know what that tariff is. I think the minister said that it would be less than one per cent. I am happy to get this by way of supplementary information, as I appreciate the minister may not know this information now. What advice has Synergy given to local governments on that Z tariff each year for the past five years?

Mr T.H. James: I refer that to Mr Stratton.

Mr B. Stratton: Perhaps we need to take that on notice. However, we have engaged with the Western Australian Local Government Association and a number of local governments that have been concerned about the debate that has occurred in Parliament. We have been communicating with them. We will have to take the question about what has occurred over the past five years on notice.

Mr B.S. WYATT: Can I get it by way of supplementary information? I think it was fairly clear.

Dr M.D. NAHAN: Yes. The member wants information on the Z tariff for street lighting and what communication Synergy has had with local governments, possibly through their agent WALGA, about the determination of the Z tariff, and what they had in the previous five years.

The CHAIRMAN: Are you happy with that, member?

Mr B.S. WYATT: Yes.

[*Supplementary Information No B38.*]

Mr M.H. TAYLOR: I refer to page 304 of budget paper No 3, which outlines consolidated account payments to Synergy in 2011–12. What is the government doing to assist customers to manage the increases in tariffs?

Dr M.D. NAHAN: Just a note on table 8.1 on page 304, member. It has dividends and tax equivalents for Synergy for 2013–14 of \$16 million and the total subsidy to Synergy is \$489 million or net \$473 million; that is, the state pays Synergy after receiving dividends and taxes and the net subsidy is \$473 million. The largest of that is a subsidy to the franchise feed tariff—that is, the tariff charge to franchise consumers, mainly households and small business—which from Synergy alone is to the tune of \$388 million in 2013–14. Therefore, the starting point is that the government is subsidising electricity quite significantly. Even after the period of the forward estimates, we will be behind cost reflectivity to the tune of 17 per cent, and that is despite increasing prices again over the last five years above 65 per cent. Therefore, there has been a large increase in price, but we have hardly kept up with those. We continue to subsidise electricity consumption significantly and on top of that there is a whole raft of programs to help people adjust to higher prices and high-price electricity. On 1 October 2012 a cost-of-living payment of \$200 came into effect and that is indexed to increases in the tariff, so it is now up to \$208. That is available to people on a variety of pensions and the Seniors Card. We made a change to that arrangement recently to allow people on aggregated sites, for instance, apartments and retirement homes where people do not have direct bills with Synergy, to receive the cost-of-living assistance payment. There is also a dependent child rebate, the amount of which depends on how many children a person has. We help charities and we have air-conditioning allowances above the twenty-sixth parallel. We contribute mightily to the subsidised cost of electricity targeting some people, but generally giving it to all, and that has expanded significantly over the last two years.

Mr W.J. JOHNSTON: What is the amount charged to Synergy for tariff equalisation contributions?

Dr M.D. NAHAN: The TEC not the TAP.

Mr K. Matacz: There is no direct charge for Synergy for TEC. TEC is actually incurred by Western Power and the charge comes through to us from Western Power via network charges.

Mr W.J. JOHNSTON: So what is that amount?

Mr K. Matacz: We do not know because we get a bundled charge. The information is held by Western Power.

Mr F.M. LOGAN: I refer to the decision by the Premier to amalgamate Verve and Synergy. What are the expected costs of bringing the two companies together during the last financial year and the financial year coming; and, what are the expected savings from bringing these two companies together specifically in the next financial year?

[4.20 pm]

Dr M.D. NAHAN: In the budget papers—I cannot find the page now—there is a statement for the last fiscal year of expenditure for the merger of \$355 000, I believe. That was the expenditure by the Public Utilities

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Office, and it was reimbursed from Synergy and Verve. Going forward, it is yet to be determined what the total costs will be and what the gains will be. Those costs will be absorbed by the combined entity of Synergy and Verve. The total costs and the total cost savings are yet to be determined.

Mr F.M. LOGAN: So the \$355 000 that the minister referred to is for costs so far?

Dr M.D. NAHAN: Mr Matacz.

Mr K. Matacz: The actual figure provided is a saving as a result of the merger of the two boards into one.

Mr F.M. LOGAN: The \$355 000?

Dr M.D. NAHAN: I was wrong. I thought that was expenditure. That was a saving of \$355 000 in the last fiscal year.

Mr W.J. JOHNSTON: If that is the saving, what was spent on the merger in 2012–13, and what is expected to be spent on the merger in 2013–14?

Dr M.D. NAHAN: Those costs are being incurred by Synergy and Verve. The actual costs and the actual cost savings from the merger are yet to be determined.

Mr F.M. LOGAN: The CFO has identified the savings for the last financial year up to 30 June. I am sure that the costs have been identified as well. I am simply asking what those costs were. If the minister has not worked out what the costs and the cost savings will be for the current financial year, I can understand that. We know what the savings were for the last financial year, yet we do not know what the costs were.

Dr M.D. NAHAN: I will find that \$355 000, and that will clarify it, and we can go forward from there. I am told that the \$355 000 is not in the Synergy area of the budget but is actually in a different part of the budget. It is not a saving. It is actually an expenditure in the 2012–13 financial year.

Mr F.M. LOGAN: So it is not a saving? I am trying to clarify this, because there seems to be two opinions.

Dr M.D. NAHAN: It is an expenditure by the PUO in 2012–13. The expenditure in 2012–13 and 2013–14 for the combined board, and the savings from that, particularly in 2013–14, are yet to be determined, and they will be worn by the combined entity and not reported in the budget.

The CHAIRMAN: Thank you, member. That is your final question, but we can come back to this.

Mr J. NORBERGER: I refer to page 750 of budget paper No 2 and Synergy's asset investment program. What future benefits will Synergy's billing system offer to customers in the context of a rapidly changing electricity industry, and what is Synergy doing to ensure that these benefits are realised?

Dr M.D. NAHAN: As the member well knows, initially Synergy did have some problems with the billing system, and it was at a particularly difficult time, because it was when electricity prices were going up quite significantly, and as local members we received a lot of complaints at that time. Synergy has made some substantial changes, both in investment and personnel, and has focused significantly on trying to get the billing system up and addressing the problems with the system. I will pass over to the CEO to speak more about the billing system.

Mr T.H. James: When I first took over the role of CEO in 2011, it was obvious that the billing system was not working very well and we were not on the right track to fix it. I put the business into four phases. The first phase was to take back control of the business, and so we restructured the business and gave it a very clear focus in terms of where we were going forward, and I recruited four new executives, including a new chief information officer who had very deep experience in the SAP billing system. The second phase was to put some patches on the system so that it could start to work, and so we spent the next 12 months putting together quick fixes to make sure that bills were going out to customers. The third phase was to make a permanent fix, and so in April of this year we did a major technical upgrade of SAP to bring it up to the most recent release, and we now have the system back in control and operating as we want it to do.

We now come to the more interesting part of life, which is to become a more contemporary and modern organisation, and so we are now able to use the system to understand the different customer segments that we have and the different needs that they have, both in the way they want to interact with us and the sorts of products and services that they want, and also how we can provide better value propositions to customers. So we now have a very modern system that we are able to use to become a more contemporary and modern retailer, and our focus now is on improving our relationship with customers, not fixing it.

Mr W.J. JOHNSTON: I understand from a briefing note that I received from Synergy that Synergy had arranged legal advice for the new board members. How much was spent on that legal advice for the board of

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Synergy regarding their role in managing both companies? I was also advised at that briefing that Synergy executives were present when the legal people gave advice to the board members. Can the minister confirm that that was the case? Thirdly, how was the conflict of interest, or the potential conflict of interest, between the board members and the Synergy executives managed in that process of giving advice to the board members while the executives were present?

Dr M.D. NAHAN: We will take that on notice.

Mr W.J. JOHNSTON: What does that mean? Will that be provided by way of supplementary information?

Dr M.D. NAHAN: No. We will take that on notice.

Mr W.J. JOHNSTON: So the minister is not going to tell us how much Synergy spent on that legal advice?

Dr M.D. NAHAN: I do not have the figure available. They are still working on that, and the expenditure on legal advice has not been completed.

Mr W.J. JOHNSTON: But money has been spent so far, yet the minister will not answer the question that I asked.

Dr M.D. NAHAN: They have not drawn up the books on how much has been spent in itemised areas. Also, it might be ongoing. I would not have a clue about what is happening. Therefore, it is premature to answer such a question and I urge the member to put the question on notice and we will answer it appropriately.

Mr W.J. JOHNSTON: If the minister wants to be a lazy minister, fair enough. It is up to the minister to be lazy. It is all right. If the minister does not know the information, that is up to him.

The CHAIRMAN: The minister has the discretion to decide whether a question is put on notice. That is the minister's decision.

Mr F.M. LOGAN: I want to bring the minister back to the question that I have asked about the merger of Verve and Synergy. There was some confusion between the minister and his advisers about what were the costs and what were the savings. I want to know the figures for the financial year to 30 June. The minister has said that from 1 July onwards—namely, for this financial year—they do not have the figures and they are currently being worked on. I can understand that. The minister told the committee initially that that \$355 000 was savings. We now know that that \$355 000 was costs incurred in the 2012–13 financial year as part of the amalgamation, and those costs were primarily as a result of the Public Utilities Office. I want to confirm that that statement by the minister is absolutely correct. Also, as part of my previous question, if that was the cost, what were the savings?

[4.30 pm]

Dr M.D. NAHAN: The \$355 000 mentioned on page 757 of the *Budget Statements*—I do not know what table that is—refers to a common board for Synergy and Verve Energy. That money was spent by the Public Utilities Office to set up the common board. Okay?

Mr F.M. LOGAN: Yes.

Dr M.D. NAHAN: As to the follow-on question about additional savings, as of 30 July 2013 there were no savings—the board had not yet operated and the combined entity had not taken place. There were no savings prior to 30 June 2013. There will be savings going forward. The merger process is still being planned and undertaken. We are yet to crystallise all the savings and costs. Those are being borne by Synergy and Verve, and after 1 January by the combined entity, which is to be called Synergy. I cannot give the total estimate of the cost, revenue or savings from that merger, although I am very confident that the net impact will be positive; that is, the savings will exceed the costs.

Mr W.J. JOHNSTON: I have a further question.

The CHAIRMAN: One more further question on this; it is very similar to a previous line of inquiry.

Mr W.J. JOHNSTON: Is there a budgeted amount for savings for the merger?

Dr M.D. NAHAN: In the budget? No. The merger is between the entities of Synergy and Verve.

Mr W.J. JOHNSTON: I am asking the minister about Synergy. Is there a budgeted saving amount for the merger under Synergy? I am not asking anything else.

Mr K. Matacz: I can answer that. In the establishment of the budgets by Synergy, which were reflected in the budget papers, no savings and no costs were identified for merger activities.

Mr D.C. NALDER: I refer to page 308 of budget paper No 3. What options are on the table for keeping downward pressure on electricity prices?

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Dr M.D. NAHAN: There are a couple of things. This is one of our great challenges, as I indicated. We subsidise electricity through Synergy alone at a cost of \$380-plus million a year. That will continue in the forward estimates. That is a very large subsidy. We are still very far below cost reflectivity. Prices have gone up significantly over the last few years. There are also underlying cost drivers. Very large expenditure by Western Power is flowing through the system. This is not a tax issue, but the subsidies for Horizon through a levy on south west interconnected system users has grown significantly and continues to grow. That is not listed in the budget papers, but it is there. We are trying to mitigate the impact through subsidies, both generally through the general subsidy to Synergy and through a number of programs, as I mentioned before, such as the hardship utility grant scheme, which helps people who are facing financial difficulties. We have the cost-of-living assistance payment of \$208, which we have widened in recent times. We are going to undertake a wholesale look at the structure of the market to see if we can pull costs out of the system. More importantly, the Synergy and Verve merger is specifically targeted at delivering cuts to costs in the generation, retail and coordination of the system. We have a whole raft of means to look at restraining costs. In the past few years the effort around Australia has been to have prices follow costs without too much effort being taken to restrain costs. We are going to try to restrain costs this time to try to take pressure off price rises.

Mr T.H. James: I add that Synergy has been running the Switch the Future campaign over the past financial year, which has focused on energy efficiency and on how customers can reduce their consumption. An interactive website was created so that people could personally develop an energy saving plan and monitor that through the website. We had 92 000 hits on that website during the year and 24 500 customers actually took up the opportunity to have an energy saving toolbox to monitor their progress in how they were reducing their consumption. That has been a quite effective program that has been in place for the past 12 months.

Dr M.D. NAHAN: I add that we also have the renewable energy buyback scheme, which allows people to sell electricity to the grid at about 8.9c per kilowatt hour. That is not the major benefit of that. It helps people to put photovoltaics on rooftops. A large number of people are doing it. In fact, it is growing at about 2 000 a month. In July there were an additional 5 000. Even without the feed-in tariff scheme—this is just the REB scheme—we are seeing growth in the uptake of photovoltaics of 20 per cent a year—phenomenal—and it is not slowing. People are benefitting by generating their own electricity and avoiding purchasing electricity at a 25.9c tariff. The calculation for a mid-range kit is that the payback period for that investment is three to four years. That is having an impact on consumption. It is a major program that encourages people to put the kit on their roofs and gives them some payback when their electricity generation exceeds their consumption—it helps—and allows them to avoid costs significantly. That has been facilitated by very sharp declines in the cost of photovoltaic cells—an 80 per cent reduction over the last two to three years. People are taking that up in droves and are helping to cushion themselves against price rises. I also add that there is competition in the retail market. Synergy does have a monopoly in the franchise retail market, but individuals can get into it and compete with Synergy through the use of photovoltaics.

Mr W.J. JOHNSTON: There was speculation in the media that Synergy was unhappy with the declining volume of electricity that it was selling. Does Synergy want to make any comment on its own behalf rather than just having words put in its mouth in the media?

Dr M.D. NAHAN: Was that in the context of the photovoltaics?

Mr W.J. JOHNSTON: Yes.

Dr M.D. NAHAN: I think the chief executive officer has a legitimate right to respond to that. In the context of how we deal with the growing number of photovoltaics on rooftops and declining consumption, there have been rumours in the media that Synergy, as well as Western Power, were pressuring the government to take action either to inhibit the uptake of photovoltaics or change the pricing to photovoltaics. I indicated earlier that Western Power has never intimated to me on that basis—it is ambivalent about it; it does not hurt it. Of course, Synergy is confronting significant impacts from stagnant and declining consumption. I might add that the major driver of that is not the uptake of photovoltaics but people responding to price. I will pass that on to the CEO.

Mr T.H. James: We have certainly seen a reduction in sales over the last few years. For the first eight years of this decade we saw continuing growth in energy sales driven by continued penetration of air conditioning and the greater number of appliances in houses. What we have seen in the past three years is what I almost call a game changer in that people are now responding to the price of electricity by either being more efficient in the way in which they use electricity in their households, the appliances they are buying are more efficient, or they are putting solar PVs on their rooftops. From the perspective of Synergy, we see this as a game changer in the industry. It is affecting not just Synergy but also other retailers around Australia. We have to learn to live with this new phenomenon in residential land and we have to make sure that the way costs are allocated to customers

in the new world is equitable. We believe that with the need to look at tariffs into the future we will need to address the allocation of fixed costs.

[4.40 pm]

Mr F.M. LOGAN: I take the minister to the line items on page 750 under “Works in Progress” that refer primarily to IT systems, which are also reflected in the information under the asset investment program. In particular, the estimated total cost of the customer information and billing system is \$43 million. The estimated total cost of product and software development, which would undoubtedly relate to the prime reason for Synergy, which is customers and billing and communication, is \$13 million. I assume system enhancements also relates to IT and the entire running of the billing and customer information system for Synergy. I have not included the critical call centre communications upgrade at \$4.7 million. If we include that, that is a total cost of \$100 million on ICT. This is not the only amount that has been spent on IT for Synergy’s billing system. Further large amounts have been spent on that system before. Could the minister give us an idea of exactly how much has been spent on the new billing system? I accept that there will be upgrades from time to time. At what stage will the minister stop the spiralling costs of the IT systems for Synergy?

Mr T.H. James: Through the minister, I mentioned earlier that we had been through a journey to fix the billing system, and it is fixed. We went through a major technical upgrade of the system on the Anzac weekend in April this year. Future spending on the system would be purely for upgrades to keep it modern, to put in new products and services or to manage tariff increases et cetera. It is now a business-as-usual operation. There are no more costs in terms of fixing the system; it is about making it better and putting in new products and services as we go as part of normal business processes.

Mr F.M. LOGAN: I have drawn the minister’s attention to those four line items, which I assume are all IT related. I would like the minister to confirm that. They are worth \$100 million. What is the total cost? I would like the minister to confirm that in relation to the line items I referred to. What is the total cost of the billing system, whether it is software or hardware?

Mr T.H. James: The total cost of the new billing system, which I said at this forum last year, was just over \$90 million.

Mr F.M. LOGAN: Am I right in assuming that the other components that are listed—critical call centre communications upgrade, customer information and billing system, product and software development and system enhancements—are also IT related?

Mr T.H. James: All those items are IT related and cover a range of projects, including upgrading our hardware, as our servers are getting quite old, and replacing our telephony system, which is 15 years old. It includes a continued upgrade of our systems to put in new products and services and also our wholesale market, which manages our \$1 billion expenditure. I will ask the CFO to be more explicit.

Mr K. Matacz: The total expenditure the member referred to is expenditure on IT-related activities since the inception of Synergy. It relates not just to the new billing system but also to enhancements that would have been done in the old billing system going back to 2006. Those costs are over the entire Synergy period.

Mr M.H. TAYLOR: I refer to page 69 of budget paper No 3 and ask the minister for his views on various federal environmental policies and their impacts on Western Australia.

Dr M.D. NAHAN: I thank the member for the question. We can safely say that we do not have too strong a clue what the federal policy will be in about a month’s time. Two major areas impact electricity consumers, including the carbon tax. When that came in, we made a decision that we would pass it through. Synergy passes the cost on to consumers. Then there is the cost of buying renewable energy credits—the REC scheme. Last year, Synergy passed on \$237 million for the carbon tax to consumers. There would be a carbon tax on Horizon, Alcoa and a range of others. I do not know what they were; that is Synergy alone. On top of that, they had a REC cost of \$103 million. There has been an impost on Synergy’s customers alone of about \$340 million from the carbon tax and the renewable energy target. There is also a requirement for Synergy to buy so many credits for small-scale renewables but I do not have the cost of that. As I said, there has been an impost on Synergy’s customers of about \$340 million from two programs alone.

Mr W.J. JOHNSTON: Is Synergy involved in preparing a business case for merging Verve and Synergy? If it is involved in preparing a business case for the merger of Verve and Synergy, when will that business case be complete, and will that business case be made public?

Dr M.D. NAHAN: Synergy is involved at various dimensions. The implementation team is not just putting forward a business case, but also developing the organisation and all the aspects associated with it. The implementation team will provide a full report when it is eventually finished.

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Mr W.J. JOHNSTON: The minister referred to the implementation team; I asked about the business case. I will ask again: is Verve involved in developing a business case for the merger of Verve and Synergy?

Dr M.D. NAHAN: Yes.

Mr W.J. JOHNSTON: When is it expected that that business case will be complete and will that business case be made public?

Dr M.D. NAHAN: I am not sure when the business case will be completed. It will evolve. It is not just the business case for putting the entity together. We have to decide what it is, how it is structured, the interrelationship of how it works and how it works with the customers. There is not a single “should we do this—yes or no”. The case is strong. The questions are: What will it look like and how will it be structured? What will the cost of implementation be, and, more importantly, what savings will there be to the combined entity of Synergy and Verve and what will the savings be to the market as a whole? That will be ongoing work. Once we get towards the completion of it or get a handle on it, we will disclose that in full. We will be very proud to indicate why we put Synergy and Verve together and how much it will save not only the shareholders of Synergy and Verve—that is, the taxpayers of Western Australia—but, more importantly, the market as a whole.

[4.50 pm]

Mr J. NORBERGER: I refer to page 161 of budget paper No 3. What steps has this government taken to ensure that all Western Australians are able to access the cost-of-living assistance payment?

Dr M.D. NAHAN: As I mentioned earlier, the cost-of-living assistance payment was put together a couple of years ago. It took a couple of schemes, including one of the rebates that was rolled into it and some additional money was added. It gives people on a low income with pension cards, senior cards and others, \$200 to \$208. One of the problems was that people who did not own a place or a dwelling, or did not have a contract with Synergy, were not getting it. As most of us who went doorknocking over the election, particularly at aged-care facilities, know—the member has a few and Bateman has a few—some were getting it and some were not; some did not know about it. We put in place changes to the laws that allowed non-aggregated sites that did not have billing—I think a growing issue will be apartments—to be eligible for that money. Another major recipient, at least in number, has been Aboriginal communities up north that are on aggregated bills with Horizon Power—they were also not eligible for it. The change we made has now made them eligible. We did not know how many there were, we thought there would be about 15 000, so we budgeted for that number. The response rate has not been up to our expectations, so we have gone out to retirement homes and other places with another information and advertising campaign to tell people that the payment exists and is available after they go through the process. I encourage all members of Parliament to take up the cudgel and communicate it to all the aged-care centres because they are simply not taking it up. Many are eligible but do not know about it.

Mr W.J. JOHNSTON: Why has the government decided to not include caravan park residents in the payment?

Dr M.D. NAHAN: Because they are already covered.

Ms R. Kardos: Caravan park residents do actually get it—Synergy gives them the payment. They put in an application form. There are about 1 500 customers who have been recipients since COLA was introduced and they used to get the previous supply charge rebate as well.

Mr W.J. JOHNSTON: Can the minister tell me the total FTE headcount for Synergy on 30 June 2012, and of that number, how many were direct employees and how many were contractors?

Dr M.D. NAHAN: We can take that on notice.

Mr W.J. JOHNSTON: As supplementary information?

The CHAIRMAN: Does the minister agree to provide that by way of supplementary information?

Dr M.D. NAHAN: Yes.

[*Supplementary Information No B39.*]

Mr D.C. NALDER: I refer to page 750 of budget paper No 2. What steps does Synergy take to ensure electricity supply to customers for life support purposes?

Dr M.D. NAHAN: I will pass that over to Rebecca.

Ms R. Kardos: Obviously, life support customers are our most critical customers. These are customers who require electricity to not just keep their lights on, but to keep powered their equipment that sustains their lives. Synergy works very closely with Western Power to ensure that electricity is retained and we have assembled a

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dedicated life support team that processes our life support applications. This information then goes directly to Western Power that then ensures that planned outages do not affect these customers and also that in unplanned outages there is immediacy in the response to these customers. Over the past year we have really been focusing on ensuring—there is obviously a cost to looking after life support customers—that we are focused on the right customers. We have a number of customers who have not provided us with medical information, so through quite a comprehensive communication process to connect with these customers, we now have a consolidated list of life support customers and both Western Power and Synergy can ensure that the electricity needs for their medical equipment are being met.

Mr F.M. LOGAN: This question can again be taken by way of supplementary information because I do not expect the minister to have the answer now. I would like Synergy's actual expenditure on fringe benefits tax for 2012–13. I will go through the components of it. How much expenditure that attracted FBT was from entertainment? How much was the underlying expenditure that attracted the entertainment FBT and what was the detail of the expenditure? Could I have that by way of supplementary information?

The CHAIRMAN: Does the minister agree to provide that by way of supplementary information?

Dr M.D. NAHAN: Yes.

[Supplementary Information No B40.]

Mr W.J. JOHNSTON: I want to discuss the closure of the feed-in tariff scheme. I understand that a letter from the CEO of Synergy was sent out to customers at the time of the closure of the scheme in 2011 and that speaking notes were created for the Synergy call centre. Were the speaking notes and the letter sent from Synergy to its customers passed to the then Office of Energy and/or to the office of the Minister for Energy?

Dr M.D. NAHAN: I do not know anything about the call centre notes.

Mr W.J. JOHNSTON: I am sorry?

Dr M.D. NAHAN: I am aware of the letter that Synergy sent out when it changed the FIT scheme from 40c to 20c, but I have never heard of the call centre speaking notes.

Mr W.J. JOHNSTON: But they have.

Dr M.D. NAHAN: The member just mentioned them. I assume that they were there. I have just been told that the Public Utilities Office was informed of the letter at least, okay? And I did not know about the letter.

Mr W.J. JOHNSTON: The minister was not minister at the time.

Dr M.D. NAHAN: The existence of that letter was not brought to my attention until after the decision to reduce the FIT scheme was made, put in the budget and released. Synergy's letter was not brought to my attention until after the budget had been released—shortly after, I might add. I have not been informed by the PUO if it existed, but the Verve CEO tells me that it did have possession of that letter.

Mr W.J. JOHNSTON: Just to clarify the answer; we are confirming that Synergy did in fact give the speaking notes and the copy of the letter either to the Office of Energy or the minister's office.

Dr M.D. NAHAN: The CEO will answer that.

Mr T.H. James: I will just clarify that. The letter was drafted by Synergy in line with the policy of the government of the day after it announced the tariff reducing from 40c to 20c; we had an obligation to advise customers of the change in policy. That letter was drafted, and it was then sent to what was then the Office of Energy to validate it; it signed off on it and then we sent the letter out. It was sent out by our chief operating officer.

Mr W.J. JOHNSTON: And the speaking notes as well?

Mr T.H. James: I am not sure about the speaking notes. I would have to take that on notice if the member wants more clarity.

[5.00 pm]

Dr M.D. NAHAN: Just to clarify that, I do not know anything about the speaking notes or whether PUO has them at all.

Mr W.J. JOHNSTON: To help the minister, it was disclosed in a freedom of information application.

Dr M.D. NAHAN: I am not denying that. I just do not know.

The CHAIRMAN: That completes the examination of Synergy.