

Chairman; Mr Eric Ripper; Mr John Day; Mr Chris Tallentire; Mr Ben Wyatt; Mrs Liza Harvey; Dr Mike Nahan

Synergy —

Ms L.L. Baker, Chairman.

Mr J.H.D. Day, Minister for Planning representing the Minister for Energy.

Mr T. James, Chief Executive Officer.

Mr R.A. Cowin, Acting Head, Finance and Business Services.

Mr A.S. Gaspar, Manager, Corporate Affairs.

[Witnesses introduced.]

The CHAIRMAN: Leader of the Opposition.

Mr E.S. RIPPER: Minister, how much will be required from Synergy under the five per cent efficiency dividend? Given that Synergy is a retailer, how will Synergy find that amount? What measures will it undertake to achieve that five per cent efficiency dividend?

Mr J.H.D. DAY: Synergy might be a retailer, but it is an organisation that, probably like all, has the capacity to do some things more efficiently. I will ask Mr James to comment.

Mr T. James: Thank you, minister. We are very keen as a retailer to be efficient. Part of that is to benchmark our business against other retailers to see where there are opportunities for productivity improvements. The efficiency dividend has come about in the last couple of weeks. Part of that process is that we need to have a plan put together by the end of this month. We are starting to work on that. But a key element of that will be to benchmark our activities against other retailers to see where we can make productivity improvements while still maintaining the level of service that is expected by our customers.

Mr E.S. RIPPER: Minister, has Synergy any idea of what measures it might be undertaking?

Mr J.H.D. DAY: If it does not now, it soon will; but I am sure it already has.

Mr T. James: As I said, in the past couple of weeks we have been looking closely at our costs, and we expect to have a plan put together by the end of this month, as required.

Mr E.S. RIPPER: That sounds like a last-minute decision, minister, to get the budget in order!

Mr J.H.D. DAY: There are a lot of measures in the budget to ensure that we have funds to expend on areas of need in the public arena. Whether it is last minute is not something that I am agreeing with. It has, no doubt, been under consideration for quite some time. It may even have been an idea when the Leader of the Opposition was Treasurer, I suspect, but not necessarily put into effect.

Mr C.J. TALLENTIRE: I have a number of questions relating to the billing system. What has Synergy spent to date on its new billing system? Looking at page 616 of the *Budget Statements*, what was the \$6 million that was spent in 2010–11 used for, and what is the \$1 million for 2011–12 needed for? How many customers have had a billing error, or no bill at all, since 1 July 2010?

Mr J.H.D. DAY: In relation to the customer information and billing system, there was an estimated expenditure in 2010–11 of \$6 million. That has decreased to \$1 million in 2011–12. The reduction is due to Synergy's minor IT system maintenance and stabilisation scheduling in the period. From 2012–13 the figures reflect the cost of maintaining and amending the IT system. I hope that makes sense, but I will ask Mr James for a further explanation.

Mr T. James: We have spent in the order of \$48 million so far on the customer information and billing system. I will just check with the chief financial officer. Yes, that is right. We recognised that the system that we had—which we inherited from the break-up of Western Power, and which was put in place in 1994—was no longer compliant with market conditions, so it had to be replaced. Our experience from replacing these systems is that it is complex. Our experience from other utilities was that it would take some time post implementation to settle it down. We fully acknowledge that it has not gone as smoothly as we would have liked. We have a project team set up to fix outstanding issues. As I understand it, as of today 99.5 per cent of accounts are getting out on time, and we expect to have the final issues resolved by the end of this calendar year.

Mr C.J. TALLENTIRE: So does the drop from \$5 million to \$1 million to be spent on the system suggest that Synergy thinks it now has the system fully sorted out?

Mr T. James: As I said, we expect to have it sorted out by the end of this year. We are now at 99.5 per cent of accounts going out on time, and we hope to resolve the remaining ones by the end of this calendar year.

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Mr C.J. TALLENTIRE: What is that amount of \$1 million needed for? Is it for enhancement and development of the system? Will it be enough to enable the remaining problems to be ironed out? In my electorate I am hearing that there are still many people who are not receiving bills at all or not receiving them on time.

Mr T. James: Once again, my understanding is that we will have the system running as intended by the end of this calendar year. I will just check with the CFO about the remaining \$1 million.

Mr J.H.D. DAY: Mr Cowin.

Mr R. A. Cowin: The \$1 million we are referring to there is the capital spend on the system. There are two things that are important here—getting the system running correctly, and how we process the system. We expect, as the CEO rightly said, to have the remaining issues resolved by the end of this calendar year, and that \$1 million should then be adequate to maintain the applications going forward.

Mr C.J. TALLENTIRE: How does the issue of meter readings and estimates fit in with the billing system at the moment? It seems that that is causing a lot of problems for consumers, because people are dissatisfied when estimates are made rather than actual readings, and some people are doing self-readings, or they are invited to do self-readings. How does that fit in with the billing system?

Mr J.H.D. DAY: Mr James will answer that.

Mr T. James: Synergy does not actually do meter readings. Meter reading is a service provided by Western Power, and we simply respond to that information. We are conscious that at times meter readers cannot get access to meters, or on some premises the meters are remote, so people use self-reader cards, and sometimes they are incorrect. We respond as fast as we can when we find out that there is an error and we ask for check reads et cetera with Western Power.

[7.40 pm]

Mr C.J. TALLENTIRE: Coming back to a question that I asked before, how many people have made a complaint against the billing system since 1 July 2010?

Mr A. S. Gaspar: We have had a range of complaints, albeit only a small proportion of complaints are related to the billing system per se. The complaints traverse a number of areas, in terms of the level of the bills and, as mentioned before, bill estimates. We receive complaints when customers receive an estimated bill, notwithstanding the issuing of such a bill is within the code of conduct standards and customers may be billed on the basis of an estimated reading if a meter reader cannot access the meter. We have had complaints from customers who have installed solar panels and who may have had their expectations elevated by, for example, the proponents of solar panels. They expect that they will not receive a bill again because of the performance of the solar panels, but that is not always the case, depending on the size of the solar panels. In terms of the billing system per se, we would need to come back with that level of information; but it is only a small portion of the complaints that we receive.

Mr C.J. TALLENTIRE: Is Synergy proposing to make the bills clearer when sent to people with photovoltaic panels on their roofs? I am yet to find someone who can properly explain how to read one of those bills.

Mr A. S. Gaspar: Does the member have an example of what he means? The bills define the imports from and exports to the grid, and the credits are applied based on the amount exported to the grid. However, we are looking at ways to improve the way we explain the bill—for example, putting more information on the website. We appreciate that people have invested a lot of money in solar panels and that they take the time to read and understand their bills. A variety of information is presented on the bills. Some customers have interval meter readings and other customers have accumulated meter readings. We would need to look at redefining the way we bill our customers and that would be a major project in itself given the various permutations that we would need to put into our bills. For example, some customers are on rebates and we would need to look at how that applies to the bill when the credits and debits are applied and whether it is an accumulated or interval meter reading. It would be a big project and we would need to consult with our customers to determine the best way to present those bills.

Mr C.J. TALLENTIRE: Based on these budget figures, Synergy has no intention of fixing the billing system at the moment.

Mr J.H.D. DAY: I am sorry—the billing system?

Mr C.J. TALLENTIRE: The billing system for people with photovoltaic panels.

Mr J.H.D. DAY: When the member says “fixing”, does he mean “improving”?

Mr C.J. TALLENTIRE: Making it intelligible.

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Mr J.H.D. DAY: Mr Gaspar indicated that Synergy is looking at ways to —

Mr C.J. TALLENTIRE: No; he said it would be a big project, but he did not say that money was allocated in the budget for that job.

Mr A. S. Gaspar: I think we can do that through a variety of means. We can do that by the way we display bills. We also have the My Account feature on our website—synergy.net.au—and customers can get a lot more information from there over and above what is on the bill. I expect that it would not require a great deal of investment for us to provide more information through our website, thereby allowing customers to drill down to the level of detail about how much they are exporting to the grid, the interval meter readings and so on. I would need to take advice on that.

Mr B.S. WYATT: How many Synergy customers are currently on EvenPay? While the minister is going through the stats, he may have the EvenPay figures there.

Mr A. S. Gaspar: I think that it is around 2 500. I can get the exact figure, but it would be around that. We put EvenPay on hold because we are dealing with a few issues to do with the algorithms that handle EvenPay payments.

Mr B.S. WYATT: On hold for how long?

Mr A. S. Gaspar: It is a process that we are going through. We have had issues with our billing system. We are dealing with those and in the meantime we are not accepting new applications for EvenPay. We still have customers who are on EvenPay, but we need to look at how the algorithm works and how we can improve the way EvenPay works.

Mr B.S. WYATT: Through the minister: once these mathematical problems are resolved, does Synergy anticipate restarting EvenPay, or is that it for the scheme?

Mr A. S. Gaspar: No; we anticipate restarting it.

Mrs L.M. HARVEY: I refer to page 299 of budget paper No 3, in which mention is made of a representative household model and electricity consumption. What work has been done to assist households to reduce their energy consumption?

Mr J.H.D. DAY: An advertising campaign is underway and something called the energy alliance—established by and under the responsibility of the government, or minister—between Synergy and Western Power was designed to inform people about these issues.

I will ask Mr James to provide some more information.

Mr T. James: Thank you, minister. The future energy alliance comprises Synergy and Western Power and it has, I guess, a twofold focus. Firstly, in the summer months Western Power focuses on what it calls “Beat the Peak”. As members will be aware, on very hot days we have what we call peaking plants sitting, waiting to run approximately 10 times a year. Moving, or reducing, the peak makes the system more efficient and energy less expensive. After the summer, Synergy is running energy-efficiency campaigns to help customers better use our product.

In the past couple of months, since becoming chief executive officer of Synergy, I have noticed that the average household consumption for residential customers has increased somewhere around 30 per cent over the past 15 years. That has come about by adding more and very energy-intensive appliances to households—for example, air conditioning, flat-screen TVs, swimming pools, spas and those types of things. People have been adding these appliances to their households when tariffs have traditionally been quite low. Now that we are seeing consumption and tariffs stepping up, people are receiving bills that are significantly higher than the ones they are used to seeing. Synergy wants to work very closely with its customers over the coming year to help them, firstly, understand that when they buy a product, they need to afford to not only buy them off the shelf, but also operate them when installed in the home. We want people to be more aware of the total cost of an appliance and also help them to be more efficient in the way they use energy in their household. That is a key focus for us as we go forward and it is a key focus of the energy alliance. We have also enhanced our website to make sure that better information is available. An energy calculator on the website allows consumers to put in the appliances they have at home, room by room, and the system then calculates how much it will cost to run those appliances.

Mr J.H.D. DAY: As we were discussing earlier this afternoon, the increased demand for electricity and the increased consumption per household has gone up, as Mr James said, by 30 per cent over the past 15 years or so. Taking the residential sector as a whole, I understand it has gone up 42 per cent since 1994. That is having a major impact on the cost of electricity because of the need to store a lot more peak generation capacity, which is used between a few days and 10 days a year. On really hot days, more and more people want to operate air

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conditioners, but there is a high cost in having that generation capacity sitting unused most of the year. Therefore, if we can, we want to encourage people to draw less on the electricity system and to moderate usage by using more efficient ways to cool their homes, such as operating air conditioners at a higher temperature in summer—for example, 24 degrees rather than 22 degrees—having cooling on only when absolutely necessary and using fans instead of air conditioners. That is something that a lot of people can do. I practise it myself. If we can do that, we can reduce the load on the system and the cost to the public as a whole—a cost that we have seen rise quite substantially in recent years.

Mr E.S. RIPPER: The representative household model in the budget paper is one thing—it may not be as representative as we hope. Will the minister tell us the size of the average residential bill issued by Synergy in the last financial year, or, if the minister likes, the median residential bill for the same period?

[7.50 pm]

Mr A. S. Gaspar: The average bill for the A1 tariff, for example, which is the residential tariff for February 2011, was \$238.56. Obviously, all households are different. The tariff varies depending on the number of people in the house, the number of appliances and the way people use their electricity. One of our responsibilities is to help our customers understand how much electricity they are using and to provide them with examples of how they can reduce consumption.

Mr E.S. RIPPER: Do we have an annual average residential electricity bill; and, could we have that for each of the last four years?

Mr J.H.D. DAY: It probably does exist; it is probably published somewhere or other in the *Budget Statements*.

Mr E.S. RIPPER: Could the annual average residential bill for each of the last four years be provided as supplementary information?

Mr J.H.D. DAY: Obviously it has gone up for all the reasons we have discussed.

[*Supplementary Information No B55.*]

Dr M.D. NAHAN: We, of course, as local members are aware of a large number of people in our electorates struggling to pay bills. One thing that has come forward is that they have not noticed large increases in their electricity consumption. Could the minister, for the record, summarise the services that Synergy provides to assist people to find out how much electricity they consume, how they can reduce their consumption and the trends in it?

Mr T. James: There are many issues covered in that question. First, if customers have trouble paying their bills, we encourage them to contact us. We are able to provide information about how they can reduce their bill through advice from our websites or contact centre. There are many people suffering hardship. We understand that we currently have a dual economy. Those in the mining industry are doing reasonably well, but many people are not doing very well. When those customers contact us, we look to enter into payment arrangements with them. When they are unable to meet payment arrangements, we are able to refer them to the hardship utilities grant scheme, through which they are able to meet financial advisers. When necessary, money is made available to customers who genuinely face financial hardship and cannot pay their bills. Disconnection is the very last resort. There are about eight steps we go through before we will disconnect the customer. The steps are to contact us, talk to us, and there are many referral steps along the way before we get to the extreme of disconnecting.

Dr M.D. NAHAN: If someone is having trouble paying their bill, does Synergy analyse their accounts to see if their electricity consumption is growing very rapidly in conditions that they might not know of? I have some elderly constituents who leave their heaters on all night, but do not know that they are doing it, and only find out when they come to pay their bill.

Mr A. S. Gaspar: We are in the process of identifying customers who have had a substantial increase in their electricity consumption and we will notify them. We are also trying to educate customers about what is causing their electricity bills to go up. As our chief executive officer said, there are a lot more appliances in households and appliance use is increasing. For example, over 300 000 households in Western Australia have two or more fridges, and often the second fridge is over 10 years old; it is less energy efficient and contains fewer items. If people turn off that second fridge, they would save \$180 per annum. There are also more televisions and computers in households. Computers are left on overnight. Switching a computer off overnight will save a household \$100 per annum for each computer. There is a lot of energy being wasted in households around the state. People do not walk out of the bathroom and leave the tap running, but when they walk out of the lounge room or the family room, they leave the TV on or they leave the lights on. That is wasted energy and it is adding to their electricity bills. If tariffs go up, it just means that the wasted energy is costing people a lot more. We are trying to educate the community about how much they are wasting by leaving appliances on or leaving

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appliances on standby. The increase in the use of appliances and gadgets also drives up people's electricity bills. There are more iPods, phone chargers, laptops, computers and so on.

Mr E.S. RIPPER: I wonder whether we could be told how many people, like my colleague the member for Gosnells and me, are paying extra for GreenPower, Natural Power or Earth Friendly electricity. How many Synergy customers are doing that? Perhaps the different Synergy products could be outlined in that space.

Mr A. S. Gaspar: As at 30 April, we had 5 637 Natural Power customers. Natural Power allows customers to purchase accredited renewable energy. Customers can choose a level of 25, 50, 75 or 100 per cent. We have 653 Earth Friendly customers. Earth Friendly is a carbon offset product.

Mr E.S. RIPPER: I am one of those!

Mr A. S. Gaspar: We have 1 044 EasyGreen customers. EasyGreen customers can purchase their green energy in \$10, \$20 or \$30 lots, for example. We have 22 351 SmartPower customers. Rather than go on to the A1 tariff, SmartPower customers can go onto a pricing plan through which they are encouraged to shift their electricity consumption to off-peak times—for example, later at night, or on the weekend when electricity costs are less than the A1 tariff. However, during peak times, electricity costs them more than the A1 tariff. That encourages customers to shift their load to achieve savings on their electricity bills. That product does not suit all households, but it suits a lot of households and they can achieve energy savings while helping the network and infrastructure.

Mr E.S. RIPPER: What is Synergy's total customer base?

Mr T. James: It is around 970 000.

Mr E.S. RIPPER: Is that 970 000 residential customers?

Mr T. James: Yes.

Mr E.S. RIPPER: The minister has made comment in a number of these sessions with the electricity utilities on the high peak usage of power and the additional investment required to service that peak. What work is Synergy or the government doing on SmartPower meters, in-house displays, time-of-use charging and tariff reform, including inclining block tariffs?

Mr T. James: We are jointly working with Western Power on a solar cities project trialling all those sorts of technologies to see how responsive customers are to certain price signals. That project is happening now and once we get the information back we will be able to then form longer term strategies.

Mr E.S. RIPPER: What is the cost of the SmartPower meter?

Mr T. James: It would be in the order of \$350, but I would have to take the detail on notice.

Mr E.S. RIPPER: On the question of an inclining block tariff, is Synergy doing work on the tariff reform that would provide for a lower price for electricity for life, we might say, and then higher prices the more usage increases?

Mr T. James: Synergy's role is to implement government policy, not to create policy.

Mr E.S. RIPPER: Mr James would be interested in tariff reform, would he not?

Mr T. James: Sure, and the Office of Energy is now running a process to review tariffs, and like all other electricity retailers, we will participate in that project.

The CHAIRMAN: May I just check that I did not miss a supplementary information request about the cost of a SmartPower meter?

Mr J.H.D. DAY: Mr James gave an estimate of it. Is that sufficient or does the member require a more precise figure?

Mr E.S. RIPPER: It would be good to have the cost as supplementary information. I am looking at the cost of the SmartPower meter, not as a one-off purchase, but as part of an extended roll out.

Mr J.H.D. DAY: Does the member mean the cost of each SmartPower meter if it was part of a large roll-out scheme?

Mr E.S. RIPPER: Yes, as part of a larger scheme to roll them out.

Mr J.H.D. DAY: That is a bit hypothetical at the moment, because the scheme has to be developed. We could provide information about the current cost and one would assume that cost would be lower if it was part of a more widespread scheme. We would have to consult with Western Power. We can provide information about the cost as it is now, but what happens in the future is obviously more speculative.

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[*Supplementary Information No B56.*]

[8.00 pm]

Mr E.S. RIPPER: How is Synergy's gas business going?

Mr T. James: That has probably been one of the bright parts of our business. We entered the gas business around 2004. We have built a portfolio in which we now have around 50 per cent of the industrial and commercial market. We cannot go below that because of the moratorium but it has been very successful for us over the past few years.

The CHAIRMAN: That completes the examination of Synergy.