



**Hon Bill Johnston MLA**  
**Minister for Mines and Petroleum; Energy; Industrial Relations**

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Your Ref: A757511  
Our Ref: 71-10822/1

Hon Alanna Clohesy MLC  
Chair  
Standing Committee on Estimates and Financial Operations  
Parliament House  
WEST PERTH WA 6005

c/o [icefoc@parliament.wa.gov.au](mailto:icefoc@parliament.wa.gov.au)

*Alanna*  
Dear Ms Clohesy

**2019-20 BUDGET ESTIMATES – QUESTIONS PRIOR TO HEARINGS**

I refer to your letter dated 24 May 2019 in relation to the 2019-20 Budget Estimates – Questions Prior to Hearings.

Subsequent to the answers submitted for my portfolio areas yesterday, please now find attached answers from Electricity Generation and Retail Corporation (Synergy)

Yours sincerely

**Hon Bill Johnston MLA**  
**Minister for Mines and Petroleum; Energy; Industrial Relations**

6 JUN 2019

Att.

LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

QUESTIONS PRIOR TO HEARING

**Electricity Generation and Retail Corporation (Synergy)**

**Hon Tim Clifford MLC asked:**

1) At page 66 in Budget Paper 3, it is stated that Synergy will counter challenges affecting the “rapidly changing market in which Synergy operates” by responding to these challenges through “Government approved initiatives, cost management and contractual arrangements where appropriate”.

a) Please outline what these initiatives are, what cost management strategies will be applied and under what conditions contractual arrangements will be applied.

**Answer:** The fast pace of technological disruption and softening electricity demand requires Synergy to evaluate its operations including new opportunities to work with Government on initiatives such as the Western Australian Energy Transformation Strategy, the Kalgoorlie virtual power plant project and pilot projects in new energy such as PowerBank, RenewNexus and Alkimos.

The State Government approved Synergy entering into an agreement to create Bright Energy Investments (BEI) of which Synergy holds a 19.9% share. BEI will construct and own 210 MW of new renewable assets being the 180MW Warradarge Wind Farm (WWF) and the 30MW Greenough River Solar Farm Stage 2 (GRSF2). These new renewable assets will lower the cost of energy in the long term and meet Synergy’s renewable energy target obligations.

b) Further, how does the Dutch Infrastructure Fund contribute towards addressing the identified challenges set out here?

**Answer:** The Dutch Infrastructure Fund holds a 40.05% share in BEI with Cbus (40.05% share) and Synergy (19.9% share).

2) I refer to Budget Paper 2, Volume 2, Part 12 Utilities, on page 661, which states that Synergy's Asset Investment Program is budgeted to drop by about \$8.2 million in 2019/20.

a) What is the reason behind this decrease in budgeted expenditure?

**Answer:** The decrease in budget is driven by the timing of project costs in Synergy’s regular asset maintenance cycle.

b) Has the money been relocated? If so, where?

**Answer:** There is no reallocation of budget.

- c) Could this \$8.2 million be used to fund renewable energy assets? If not, why?

**Answer:** Synergy is a 19.9% investor in Bright Energy Investments (**BEI**). BEI will construct and own 210 MW of new renewable assets being the 180MW Warradarge Wind Farm (WWF) and the 30MW Greenough River Solar Farm Stage 2 (GRSF2) as well as operating and maintaining Greenough River Solar Farm Stage 1 (GRSF1) and Albany Grasmere Wind Farm (AGWF). These projects will ensure Synergy meets its renewable energy target obligations. Future opportunities will be evaluated once these projects have been delivered.

- 3) I refer to paragraph 2 on page 663 of Budget Paper 2, Volume 2, which details the allocation of Synergy's \$39.5 expenditure on Generation:

- a) Will any of Synergy's Asset Investment Program budget be used to maintain existing renewable energy generation?

**Answer:** No

- b) If so, please detail how much and for which project. If not, please explain why there is no allocation?

**Answer:** Renewable energy generation is funded from operational expenditure.

- 4) In reference to paragraph 2.1 on page 663 of Budget Paper 2, Volume 2, which states that \$10.8 million will be allocated to support 'safety, efficiency, and environmental' targets at Muja Power Station:

- a) What are the environmental targets?

**Answer:** The environmental targets are those prescribed within the facilities environmental licence [ Environmental Protection Act 1986, Part V, L4706/1972/17] which requires monitoring and compliance of, Air solid and liquid emissions, their transport, storage and disposal along with multiple ground water abstraction licences.

- b) How will these environmental targets be met?

**Answer:** By monitoring environmental emissions and upgrading the current site storage facilities which includes, Fly Ash Dam improvements and water transport system upgrades to increase capacity to consume greater volumes of mine dewater to decrease ground water abstraction as requested by Department of Water and Environment Regulation.

- c) What amount of the allocated funding will be used to meet these environmental targets?

**Answer:** ~\$2 million

- d) What safety issues have been identified that need to be addressed? And how much has been allocated to address them?

**Answer:** A large proportion of CAPEX projects will address safety as either a primary deliverable or partial deliverable. Projects to be undertaken in FY 19/20 that have safety as the primary deliverable include, the replacement of the Coal Plant switch board which has reached end of life, the upgrading of the coal conveyor system guarding around rotating components, the replacement of the incline conveyor gantry flooring and pedestrian access ways and the replacement of the station electrical cable tunnel fire suppression system.

- 5) I refer to page 664 of Budget Paper 2, Volume 2, which states that Synergy is budgeted to spend \$172.5 million over the forward estimates period on the maintenance of fossil fuel generation assets.

- a) How much has been budgeted to spend on the maintenance, construction or acquisition of renewable energy generation assets?

**Answer:** The budgeted operations and maintenance cost for the next four financial years is ~\$15 million for sustainable assets at Bremer Bay, Alkimos, Hopetoun, Esperance, Coral Bay, Denham and Kalbarri excluding any overhead employee cost.

- b) Does Synergy have any plans within the forward estimates period to construct or acquire renewable energy generation assets? If yes, please detail these plans. If no, please explain why not?

**Answer:** Synergy is a 19.9% investor in Bright Energy Investments (BEI). BEI will construct and own 210 MW of new renewable assets being the 180MW Warradarge Wind Farm (WWF) and the 30MW Greenough River Solar Farm Stage 2 (GRSF2) as well as operating and maintaining Greenough River Solar Farm Stage 1 (GRSF1) and Albany Grasmere Wind Farm (AGWF). These projects will ensure Synergy meets its renewable energy target obligations. Future opportunities will be evaluated once these projects have been delivered.

**Hon Tjorn Sibma MLC asked:**

- 1) What operating costs will Synergy incur as a consequence of the cessation of the tariff adjustment payment for the 2019-20 budget year, and for each of year of the forward estimates?

**Answer:** Synergy will not incur operating costs as a consequence of the cessation of the tariff adjustment payment.

- 2) Noting the reduction in the operating subsidy paid by the Government to Synergy (BP2, vol 1, pg 139), I ask:

- a) how is Synergy currently funding its operating expenses; and

**Answer:** Synergy is currently funding its operating expenses using operating cash flows.

- b) how will Synergy continue to fund its operating expenses in 2019/20 and across the estimates period?

**Answer:** Synergy will continue to fund its operating expenses using operating cash flows across the estimates period.

  
c/6/19

Initially by \_\_\_\_\_