Public / Internet
15/01/19

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

Our Ref: 71-09173
Your Ref: A725816

08 JAN 2019

Hon Alanna Clohesy MLC
Chair
Standing Committee on Estimates and Financial Operations
lcefoc@parliament.wa.gov.au

Dear Chair

2017-18 ANNUAL REPORTS – ADDITIONAL QUESTIONS AND SUPPLEMENTARY INFORMATION – SYNERGY

I refer to your letter dated 22 November 2018 in relation to the 2017-18 Annual Report Hearings for Synergy.

The attachment details responses to the Committee's questions.

Yours sincerely

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

Att.

- 8 JAN 2019

Level 9, Dumas House, 2 Havelock Street WEST PERTH WA 6005 Telephone: +61 8 6552 6700 Facsimile: +61 8 6552 6701 Email: Minister.Johnston@dpc.wa.gov.au

LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

2017–18 ANNUAL REPORT HEARINGS

SUPPLEMENTARY INFORMATION

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. B1]

Question:

Hon TJORN SIBMA: Can I just ask a question of process, and if you do not have the answer available, that is fine. It is a question around procedure. I will just make this observation—Synergy is not the only one; I just look at how useful an instrument statements of corporate intent are for government trading enterprises—statements of corporate intent appear to me to be probably more honoured in the breach than in the observance of actually being tabled in a timely way. I think the most recent statement of corporate intent was not tabled until around March or April this year, which is towards the end of the reporting period. Can I get an insight as to what reasons there might have been for that—what I look at as a very late tabling date?

Hon STEPHEN DAWSON: Sure. In terms of your first comment, we obviously cannot comment on the KPIs or SCIs of other GTEs. We can only give information in relation to Synergy. But perhaps Mr Waters can advise the committee as to why that document was tabled in March.

Mr Waters: Other than agreeing, I would have to say that tabling KPIs in March of the year in which they are relevant is late. As to the specifics in this instance, I could not go into any detail. I would be happy to investigate that and provide further advice but, at this stage, as you said it is a complex process. It involves multiple parts of government and Synergy. I would have to look into it and provide more advice.

Hon TJORN SIBMA: If you would not mind taking it as a supplementary question.

Hon STEPHEN DAWSON: Sure. I am happy to take that on notice.

Answer:

The 2017/18 Statement of Corporate Intent (**SCI**) was the subject of some amendment to ensure alignment on key performance indicator information.

The 2018/19 SCI was tabled on 14 August 2018, and Synergy is on track to deliver a timely SCI for 2019/20.

SW 20/12

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. B2]

Question:

Hon DIANE EVERS: On another issue—electric vehicles, on page 12—you talk about the off-peak electric vehicle tariff. I am interested in how this has changed from last year and how this shift to electric vehicles has impacted on your business. How do you perceive that, from this point forward, without looking forward—how have you seen the change?

Hon STEPHEN DAWSON: I will ask Mr Waters to comment on that, but I think we are at about 41 vehicles, is it?

Mr Waters: Yes. It is in the trial phase. We have a relatively low number of participants on that trial scheme. I think the numbers are in the 40s. It is actually indicating to us that consumers of electricity, when they have an electric vehicle, to the extent that they are appropriately incentivised, do in fact align their consumption positively from a time-of-use perspective. We think it is going to be critical longer term. Obviously, we are not seeing a shift physically in the system at this stage with 40 electric vehicles being charged, but if we envisage a day in a decade's time when we have 40 000 or more being charged, we are of the view that what we will learn from this trial will be critical in enabling us to offer the right types of products and services that we think the consumers will be wanting when we move to a more mass market approach around electric vehicles. It is early days. I am happy with how it is going. The signs are that people do move their usage in accordance with the incentives, as we would expect. I think it is something that I will view with interest going forward, and I would be happy to report back on it at a future time.

Hon DIANE EVERS: That sounds good.

Hon STEPHEN DAWSON: Have there been any changes in the last 12 months? Are we in a position to advise the committee about what the incentives are?

Mr Waters: I could not provide specifics. It is not that I cannot provide specifics; I am happy to. I just do not have them at my fingertips. What we are actually seeing from the data we have so far is that the customers on the tariff—this is what we have, I guess, appreciated over the last 12 months—do move to become heavy off-peak consumers of electricity and therefore levelise demand on the system and reduce overall cost, which is the big picture opportunity as we see it, as opposed to all coming home from work and connecting at 6.00 pm when everyone is also cooking and putting on their air conditioners and creating a huge amount of demand for a short period of time. We are actually all about levelising and improving the overall economics of supply. What we have learnt over the 12 months has been positive in that regard, albeit on a very, very small scale.

Hon DIANE EVERS: Could we have that provided as an additional question?

Hon STEPHEN DAWSON: Sure. It is the details of the tariff.

The CHAIR: Be really specific.

Hon STEPHEN DAWSON: Absolutely.

The CHAIR: So, details of the tariff?

28/11/2019

Hon DIANE EVERS: Yes, off-peak.

Hon STEPHEN DAWSON: Certainly, the period of time is 11.00 pm to 4.00 am and certainly we will provide the tariff details by way of supplementary information.

Answer:

Launched in late November 2017, the EV Home Plan is a simple tariff that seeks to encourage the adoption of EV and position Synergy as an innovative Energy Partner whilst shifting consumption away from peak periods.

The tariff is designed with an EV off peak period between the hours of 11pm and 4am that rewards customers for charging during network off peak periods.

The tariff is only available to vehicles with a combination of electric engine and petrol engine, which currently includes plug-in hybrid electric vehicles (**PHEVs**) and battery electric vehicles (**BEVs**). Department of Transport vehicle registration documents are required upon application

51 customers are on the trial at present, representing 10.5% of the WA EV market (487 EV/PHEVs).

When compared to A1 REBS/FIT customers, the EV Home Plan appears to reduce the peak time consumption load. EV Home Plan REBS/FIT customer use 37% of their total consumption in the off peak period. In comparison A1 REBS/FIT customers use 17% of their total consumption in the same period (11PM - 4AM).

The EV tariff product features:

- Simplified Time of Use (**TOU**) construct
- Free monthly kilometres: 60 free Kms worth of energy per month (10 units)
- EV Home Plan Incentive: A launch offer of $200 credit (excluding GST) over 12 instalments to incentivise product adoption. Therefore providing Synergy with valuable data to understand the consumption behaviour of EV owners in the SWIS.

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. B3]

Question:

Hon Dr STEVE THOMAS: You raise an interesting point, so we might go into a bit more detail of the Muja power station in particular. If you want a reference, page 14 has a reasonable summary of it, where it talks about the decommissioning. Let us start with Muja AB and the decommissioning of Muja AB. Can I ask initially how far through that process we are, noting that it says that we are talking about the decommissioning of the cooling towers et cetera, not necessarily the encompassing building? What sort of time frame do we think we are looking at for the completion of that decommissioning?

Mr Waters: Thanks for the question. We considered the decommissioning program for Muja AB from a risk-based perspective. On that basis we made that decision that the cooling towers and some other what we considered to be sort of high-risk plant that is probably more ancillary to the core power station needed to be demolished. My understanding is that that has been largely completed. The cooling towers have been removed. There are some other overhead conveyers and other things that we felt would have been high-risk items to be left in situ for any period of time given the risks of corrosion and just general degradation so we have either removed that or are in the process of removing it—I cannot quite be sure exactly where we are at today.
In regard to the core building, we have undertaken a program of ensuring preservation of that plant. Noting that the final demolition, if you like, of that facility probably will not take place until the entire station is closed many years into the future, in that time frame we will continue to monitor that plant to ensure that it is safe. It obviously will not be operating so there will be some care and maintenance and regular inspections that will take place, but we do not envisage that occurring for a lengthy period of time. The provision that has been established for the Muja AB demolition, as part of the broader Muja power station decommissioning and demolition provision, will be held for a future date, at which time we will undertake the full decommissioning and demolition of the site.

Hon Dr STEVE THOMAS: We will come back to the optimistic view of the length of the life span of the Muja C and B in a little while. Do you keep a running total of the total cost of the recommissioning and decommissioning, so the total cost of Muja AB? Is that available or will you take that on notice and provide it as additional information?

Mr Waters: We do not because the decommissioning provision was very much a separate item from the original project to recommission the power station. Provisions are held in accordance with necessary accounting standards to ensure that you have adequately provided for future funding to undertake closure and remediation of the site. The answer is: we do not because they are entirely separate matters.

Hon Dr STEVE THOMAS: Last year at the estimates hearing, we talked about the total cost of the project from recommissioning onwards getting close to $320 million. Do you have the capacity to update us 12 months later on what the total running cost is now? Does that exist?

Mr Waters: If you would like us to, we could certainly calculate something. When I say we do not keep a running sheet of that, it is not that we do not track those costs. We absolutely do and we can provide that. But I guess it would be important to point out that the aggregate number will be largely irrelevant in terms of the original question and the subsequent controversy around the return to service of Muja AB under the previous government. It is one of those things that the decommissioning costs were always going to occur irrespective of the

25/11/2012

decision in 2008–09 to return the station to service.

Hon Dr STEVE THOMAS: Which is what we said last year, but I would still be interested in an update of the costs, particularly if that could include how much power it generated between its recommissioning in 2008–09 and its closure last year. That would be an interesting number to have a look at.

Mr Waters: We could provide something.

Hon STEPHEN DAWSON: I hope it is not too onerous a task. We will certainly provide what we can.

Answer:

The total cost of the Muja AB refurbishment project from inception until 30 June 2018 was $308.4 million.

The total electrical energy generated by the Muja AB station since refurbishment until 30 June 2017 was 1,466,024 MWh.

The decommissioning cost from 1 July 2017 until 31 October 2018 was $1.4 million.

The demolition of identified critical risk areas of the plant has been completed for the following areas:

- Cooling towers;
- Electro chlorination building; and
- Head end of 2A/2B coal conveyors.

The remainder of the Muja AB plant is currently being decommissioned and will be left in situ until either it poses an unacceptable risk, or other stages of Muja Power Station are retired.

The total remaining decommissioning provision as at 30 June 2018 was $16.4 million.

3/1/2019

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. B4]

Question:

Hon AARON STONEHOUSE: I refer to page 13. I see there were a good deal of community engagement projects this year. We have the Xmas Lights Trail, sponsorship of the Swan Festival of Lights, the Victoria Park Festival, the Subiaco Festival and Light Up Leederville. There were also a number of prizes donated to a range of schools. Are you able to quantify the cost of that community engagement and put a figure to that?

Hon STEPHEN DAWSON: We would not have that information with us today.

Mr Waters: Not at my fingertips.

Hon STEPHEN DAWSON: We would not have it in front of us today.

The CHAIR: Is it the cost of sponsorship as distinct from the value?

Hon AARON STONEHOUSE: What I suppose might fall in the category of community engagement or —

The CHAIR: To be clear, member, community engagement can be viewed as something that is really quite different and for a GTE that can be significantly —

Hon AARON STONEHOUSE: It is corporate social responsibility–type programs or whatever you want to call it.

The CHAIR: So it is sponsorship and community event support.

Hon AARON STONEHOUSE: Yes. The programs mentioned on page 13 under the heading "In the community". If I could get a figure on that—I can take that on notice. I have a follow-up question on that, too.

Hon STEPHEN DAWSON: We will have to provide it on notice. We can provide it and we are clear about what that is—that is, those projects listed on page 13.

Answer:

The community engagement activity as listed on page 13 of the annual report is:

Activity	Total cost
Synergy Future Home	$198,611
Nikola Tesla Expo Perth	$4,572
Synergy Xmas Lights Trail (inc Lifeline WA sponsorship)	$316,390
Swan Festival of Lights	$7,151
Victoria Park Festival	$12,949
Subiaco festival	$11,783
Light Up Leederville	$25,880

3ID. 20/12

Synergy Schools Solar Challenge	$146,749
Synergy Solar Community Fund	$189,098

3911). 20/12

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. B5]

Question:

Hon TJORN SIBMA: Sorry; page 4 is a place to start. References to joint venture partnerships and commitments to gearing up renewable energy generation are made throughout the entire document, so this is more of an invitation for an update on where Synergy currently is with stage 2 of the Greenough River solar farm and the final stages of planning for the Warradarge wind farm. This is just a general question about where we are.

Hon STEPHEN DAWSON: I will ask Mr Waters to comment on that, please.

Mr Waters: Greenough River solar farm stage 2 is progressing through construction. I do not believe there is anything to see up there just yet in terms of solar panels being fitted. I think at this stage it is all about getting land cleared and getting infrastructure in, but by all reports it is proceeding to expectation. I am happy with what I am hearing, without having, I guess, a specific program at my fingertips; it is moving along nicely. With Warradarge, we are at the final stages now of that proposal. It is something that we expect to be in a position to close in coming months and get construction underway for the 2020 requirement. Again, nothing has been built there yet; it is still under development. However, I am pleased with how it is going. I think it is looking positive, and I think it we will have a very good result for the state out of that.

Hon TJORN SIBMA: The intention here is to meet the 2020 target. That means plant commissioning by 2020. When do you reach your target? Is it capacity? I am just trying to understand what precisely the target is that you are aiming for.

Mr Waters: It will enter commissioning in the early part of 2020, so I think the target builds up; but, effectively, it is required to be met during 2020, so we will be there in the early part of 2020. As for the specifics around the dates, apologies, I do not have those at my fingertips. As I said, we are of the view that the 2020 delivery will in effect meet our obligations in that year.

Hon TJORN SIBMA: Beyond that 2020 deadline—if you could grant me some indulgence, minister, bearing in mind this is an annual report hearing.

The CHAIR: And bearing in mind that we do not ask hypotheticals.

Hon TJORN SIBMA: And I am not asking a hypothetical question; I am asking a specific question. What medium to longer term renewable asset generation or joint ventures is Synergy currently considering across the broader sweep of renewable energy generation options?

Hon STEPHEN DAWSON: As the minister representing the minister, I am certainly not aware of those. Because we are supposed to be dealing with the 2017–18 annual report, it is not within the work that is in front of us today. I would be happy to take that question on notice and if the minister is able to provide a future plan, then we will provide that to the committee. But in the absence of the responsible minister, I feel uneasy about answering questions about the future, given I am not responsible for them. If you are interested —

Hon TJORN SIBMA: Yes, I am.

Hon STEPHEN DAWSON: — I am happy by way of supplementary to see what we can provide to the committee about the future. But bear in mind this stuff moves all the time and we will see what we can get for you.

Answer:

Synergy is currently occupied delivering on 2020 large scale renewable energy target obligations with Bright Energy Investments. Policy setting changes from the State or Federal Government may require Synergy to increase renewable generation capacity and Synergy will assess how that is best delivered and by what method in accordance with obligations under the *Electricity Corporations Act 2005.*

3/11/3. 20/12

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. B6]

Question:

Hon DIANE EVERS: On page 17 with regard to emissions, you were able to cut your emissions by nearly a million tonnes. I was just wondering how this was done, and is it something that will be done every year or is it even increasing from that point?

Hon STEPHEN DAWSON: That is a very good question. I am very happy to provide an answer to that. Mr Waters, are you able to answer that one?

Mr Waters: Without having the very precise details at my fingertips, I envisage that it will come down to two factors. One, I imagine, would have been the closure of Muja AB in the previous year, which was an operating power station and a relatively carbon intensive facility relative to our other plant that we closed in the year before. That would have been a factor. The second factor I would expect in regard to the reduced \$6.8 million tonnes of CO_2 would have been the reduced demand that we saw in the 2017–18 year relative to the year before, given two factors: one being the uptake of rooftop solar at about 160 megawatts for the year—it would have been a material factor in the reduction of our generated CO_2. The second factor would have been, as I said earlier, the relatively unfavourable weather conditions that saw retail demand fall relative to the previous year. That would have flowed through to a reduced generation requirement in the system. You add all that up and you get a lower figure. As to where I see it going from here, we are seeing at a system level more renewable energy coming in. We have the Greenough River solar farm stage 2 that I just spoke about, and the Badgingarra wind farm, which is a private sector development. That is entering commissioning shortly, I believe. Then we expect to have Warradarge by 2020, and then there are additional private sector developments that are on the horizon. Overall, I think we do see a progressive decline in our carbon footprint.

Hon DIANE EVERS: That is very good to hear, and it leads right into my other question. On page 14 you talk about your large-scale renewable energy target obligations by 2020. What is the target?

Mr Waters: Do you mean the target—that is a complicated one. Apologies, minister.

Hon STEPHEN DAWSON: No, go for it.

Mr Waters: The target is Synergy's contribution based on the national target. The specific quantity of large-scale certificates that we are required to discharge—I would have to take that as a supplementary, if that is what you are asking. I can certainly provide that number.

Hon DIANE EVERS: That would be a fixed number of Synergy as opposed to —

Mr Waters: It is not a fixed number. It is a fixed number based on the allocation to Synergy based on the national target. The Clean Energy Regulator actually allocates a portion of the national target, which I think is the 33 gigawatt hour target that Canberra settled on eventually. That gets allocated to each of the retailers in operation across the country. That is based on your specific market share, which is obviously then backed into a range of factors, such as exactly what is demand growth in a particular segment and what is your retail market share if you are in a contestable market. We do not have that latter point, but we certainly have a view and a projection going forward, but it does move around a little bit depending on where demand on a national basis goes. For example, if the east coast of Australia was to have an enormous boom in retail energy consumption, our target might fall as a percentage.

Hon DIANE EVERS: It would be good if I could have that.

Mr Waters: I can provide you our figures.

Answer:

Synergy estimates the following:

Financial Year	**2019**	**2020**	**2021**	**2022**	**2023**
Total gross LGC surrender (#)	1.3 million	1.6 – 1.7 million	2.1 – 2.4 million	1.9 million	1.9 million

Please note that this is an interim forecast only which will be updated as part of the State Budget Forecast under development.

3/11). 20/12

Electricity Generation and Retail Corporation (Synergy)

[Supplementary Information No. A7]

Question:

Hon Dr STEVE THOMAS: I probably should have asked this question attached to the last question, but at the bottom of page 54 in relation to the "Notes to the financial statements", I am looking particularly at "Trade and other receivables" and inter-group receivables. The chart at the top has very little in the way of inter-group receivables in 2018, only $252 000; however, there is an interesting note right at the bottom of that page —

> The Corporation balance includes inter-group amounts of $132.9 million ... for which payment has been deferred until Vinalco Energy Trust is in a position to pay.

Then an impairment allowance has apparently been put in place as well. Can I ask what the expectation is of Vinalco being able to make that payment? What is the source of the funding for the impairment allowance? Where has that come from? I guess the question is: is that impairment allowance included in the figures for the overall cost of the project?

Mr Waters: I think, given the multiple parts of that, I would appreciate if we can take that one as a supplementary and, Chair, we will go away and provide that data, only because there is some specifics there that I would not —

Hon Dr STEVE THOMAS: That is fine. It is a complicated question. It is down the bottom of page 54. It is in the fine print, and, as the minister knows, I like to read the fine print.

Hon STEPHEN DAWSON: You do, indeed, and I know that, so we are happy to provide that by way of supplementary.

Answer:

The impairment allowance is an accounting entry only that impacts the results of the Corporation. As the loan is an inter-company loan, there is no impact on the results of the Synergy Group. There is no additional funding required, and the impairment allowance does not reflect any additional loss beyond that previously reported for the Muja AB project.

Vinalco has ceased operations, and the Group is in the process of forgiving amounts owing to the Corporation, estimated to be $164.6 million at the end of November 2018.

BMJ. 20/12