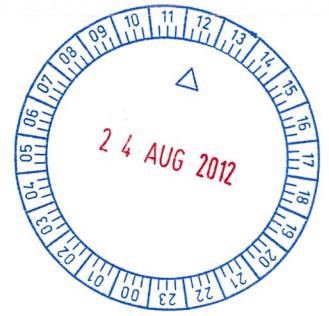


**PUBLIC**



**STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS**  
**ADDITIONAL QUESTIONS FOR THE 2012/13 BUDGET ESTIMATES HEARING**  
**SYNERGY HELD ON**  
**FRIDAY, 3 AUGUST 2012**

**HON ALISON XAMON ASKED –**

I refer to page 596 referring to the total funding of Synergy's asset investment program and ask -

- (1) What role does the Minister for Energy play in deciding, reviewing or approving the premiums for Synergy's greenpower products, including NaturalPower/EasyGreen and Earth Friendly?

Answer:

The Minister for Energy is advised of decisions for noting purposes.

- (2) What role does the Synergy board play in deciding, reviewing or approving the premiums for these products?

Answer:

The Synergy board ratifies management and operational pricing committee decisions, as required.

- (3) What role does operational arm of Synergy play in deciding, reviewing or approving the premiums for these products?

Answer:

Synergy employs a rigorous process in making pricing decisions, such as complex modelling and analysis of portfolio costs as well as various other factors which impact these prices.

(4) The Synergy website FAQ section states that the premiums for NaturalPower/EasyGreen and EarthFriendly are reviewed annually to ensure that they accurately reflect the cost of purchasing RECs (renewable energy certificates) from nationally accredited GreenPower renewable sources. In light of this, does the recent reduction in the cost per unit for both premiums, which was introduced on 1 July 2012 to coincide with the introduction of a carbon price, accurately reflect a decrease in the cost to Synergy of purchasing of RECs?

Answer:

Yes

(5) If no to 6), why not and how will this be rectified?

Answer:

Not applicable.

(6) Is it correct that Synergy reduced the premiums for NaturalPower/EasyGreen (from 6.1 cents/unit to 5.45cents/unit) and EarthFriendly (from 1.98 cents/unit to 0.74 cents/unit) and on 1 July in order to partially compensate green power customers for the fact they were being charged the carbon price on the A1 tariff component of their bills?

Answer:

No, rates were adjusted to reflect market values of RECs and Offset certificates; however, market values may have been impacted following the introduction of the Federal carbon tax.

(7) If yes to 7), why weren't the premiums reduced by the same amount per unit as the carbon cost that was calculated and added to the A1 tariff, i.e. 2.255 cents/unit, as would be logical?

Answer:

Not applicable.

(8) If no to 7), on what basis were the premiums for i) NaturalPower/EasyGreen and ii) EarthFriendly reduced?

Answer:

See answer to question 6.

(9) Please provide details of what the premiums for i) NaturalPower/EasyGreen and ii) EarthFriendly have been, in cents per unit, since they were first introduced, including the dates for each time they were changed; the new premiums they were changed to; and the reason for the change.

Answer:

NaturalPower / EasyGreen

Introduction of NaturalPower – Prior to Synergy existing.

Price Change 1 – 2007 – From 3 cents to 4.4 cents – Regular portfolio cost pricing review

Price Change 2 – 2009 – From 4.4 cents to 6.1 cents – Regular portfolio cost pricing review

Price Change 3 – 1 July 2012 – From 6.1 cents to 5.45 cents Regular portfolio cost pricing review

EarthFriendly

Introduction of EarthFriendly – 2004, Prior to Synergy existing

Price Change 1 – 1 July 2012 – From 1.98 cents to 0.74 cents Regular portfolio cost pricing review

(10) I understand from Synergy's website that Synergy estimates its likely carbon cost and then this estimate is then averaged out across all customers that Synergy sells electricity to, and that Synergy then applies an allowable return and GST. What is the frequency that this calculation done, for example, is it done an annual basis, projecting the likely carbon costs to Synergy over the year ahead, or is it done on a monthly basis, or so on?

Answer:

The calculation is performed on an annual basis.

(11) Is there any reason why Synergy cannot calculate the carbon costs it incurs from the electricity it purchases while excluding its renewable electricity purchases?

Answer:

To perform this calculation Synergy would need to establish separate and complex modelling for environmental products. Given the very small number of customers who opt to purchase environmental products is not feasible to create and maintain this modelling. To accurately calculate the true cost of supplying environmental products, Synergy would be required to consider issues such as backup generation plant to account for the intermittent nature of currently commercialised renewable generation technologies available to Synergy, and the modelling costs of doing so are prohibitive.

For Synergy to participate and sell accredited Green Power under the national Green Power Accreditation Program, it must follow the program rules as published on the Green Power website. The approach and methodology of the program is publically available and substantiates the current approach taken by Synergy.

Green Power products are intended to support renewable energy demand over and above mandatory Federal targets for electricity retailers, therefore the product continues to deliver its stated purpose.

(12) If it is possible for Synergy to calculate the carbon costs it incurs from the electricity it purchases while excluding renewable electricity, then is there any reason why Synergy cannot then exclude its NaturalPower/EasyGreen and EarthFriendly customers from paying any carbon charges? (And in the case of these customers buying renewable electricity for only part of their electricity use, excluding the carbon cost from that portion of their electricity bill?)

Answer:

See answer to question 11.

(13) Alternatively, is there any reason why Synergy cannot average out its estimated carbon costs across all of the customers it sells electricity to, except customers buying NaturalPower/EasyGreen and EarthFriendly?

Answer:

See answer to question 11.

(14) Is Synergy's objection to the options described in 12) and 13) above purely to do with a billing or administrative difficulty?

Answer:

See answer to question 11.

- (15) By what amount, in cents per unit, does Synergy estimate the carbon charge would need to be increased in order eliminate the current cross-subsidy whereby NaturalPower/Easy Green and EarthFriendly electricity purchases have a carbon charge attached to them?

Answer:

Synergy notes that NaturalPower, EasyGreen or EarthFriendly customers are not cross-subsidising other customers . Synergy further notes that, if the carbon tax per tonne emitted equated to the market REC price, these charges may eliminate each other.

The EarthFriendly product enables customers to voluntarily offset the emissions attributable to their consumption of electricity. EarthFriendly customers are now charged the carbon cost of emitting carbon in their electricity tariff and then voluntarily elect to pay for those emissions to be offset through accredited schemes. This is not necessarily delivered through renewable sources but can be from sequestration as an example.

- (16) Since 2007, Synergy has marketed NaturalPower/EasyGreen as “renewable electricity” and if customers purchase it, “no greenhouse gases will be created by the energy (they) purchase”. Does it concede that the current explanation on Synergy’s website for charging greenpower customers a carbon cost may mean that its marketing of these products may have been misleading?

Answer:

No.