STATEMENT OF CORPORATE INTENT
2020-2021
TABLE OF CONTENTS

PURPOSE OF THE STATEMENT OF CORPORATE INTENT ........................................... 1
1 FROM THE CHAIRMAN ............................................................................................... 2
2 BUSINESS OVERVIEW ............................................................................................... 3
   2.1 Strategic objectives ............................................................................................. 3
   2.2 COVID-19 response ........................................................................................... 4
   2.3 Operations/activities ......................................................................................... 5
3 BUSINESS: EXTERNAL ENVIRONMENT AND INTERNAL CHALLENGES .......... 6
   3.1 Declining growth in customer demand ............................................................. 6
   3.2 Increasingly competitive landscape ..................................................................... 7
   3.3 Regulatory and policy environment ..................................................................... 7
4 STRATEGIC OBJECTIVES .......................................................................................... 7
   4.1 Ongoing transition of the generation fleet ......................................................... 7
   4.2 Investing in digital capabilities .......................................................................... 8
5 PERFORMANCE MEASURES AND OBLIGATIONS .................................................. 8
   5.1 Key performance indicators (KPI) ...................................................................... 8
   5.2 Dividend policy .................................................................................................. 9
   5.3 Accounting policies and governance standards ............................................... 9
   5.4 Ministerial reporting .......................................................................................... 10
   5.5 Community service obligations ........................................................................ 11
   5.6 Borrowings ........................................................................................................ 13
   5.7 Pricing ................................................................................................................ 13
Appendix 1: Explanatory notes concerning KPIs .......................................................... 14
PURPOSE OF THE STATEMENT OF CORPORATE INTENT

The Statement of Corporate Intent (SCI) is prepared in accordance with Part 5 of the Electricity Corporations Act 2005 (the Act) and outlines the direction of the Electricity Generation and Retail Corporation, trading as Synergy, over the 2020/21 financial year.

In accordance with section 99 of the Act, the SCI is consistent with the Statement of Expectations 2020-21 (SOE) (the Strategic Development Plan in SOE format) which sets out Synergy’s economic and financial objectives and operational targets over the medium term and the commercial strategies and initiatives the business will pursue.

Pursuant to section 97 of the Act, the SCI is intended to apply for the corporation and any subsidiary and outlines the objectives; functions; performance targets; community service obligations; dividends and accounting policies for the financial year.
1 FROM THE CHAIRMAN

Synergy, like many electricity utilities around the world, is facing significant disruption. Upstream generation activities are being challenged by the increased penetration of large and small-scale renewable generation.

Synergy’s customers are choosing to self-generate with solar photovoltaic (PV) systems at increasing rates and investment in large-scale renewables is continuing, leading to significant decreases year on year in the total volume of electricity supplied by Synergy’s scheduled generation assets. While our market volumes are shrinking, we continue to bear critical fixed costs such as network access charges, and the costs of holding and making available a broad portfolio of generating assets, ultimately driving up unit costs of supply.

The cumulative effect of the rapid growth in rooftop solar, combined with both public and private investment in small and large-scale renewable projects, is significantly changing the generation supply mix within the South West Interconnected System (SWIS). This brings about operational challenges in absorbing large quantities of day time spill from PV systems, while ensuring generating plant is available to meet peak system demand at sunset as well as the growing conundrum of maintaining coal fired plant that remains as critical as ever to system security despite decreasing levels of utilisation.

Over the period of the SCI, Synergy will continue to deliver on its purpose to lead Western Australians to their intelligent energy future by executing a corporate strategy focused on safe, sustainable and high performing operations, increasing revenue, decreasing costs, evaluating and managing supply risk and transitioning the organisation’s culture.

In the medium to longer term, this challenge also presents opportunities which Synergy is seeking to harness under a new direction and business strategy currently being developed. Synergy will concentrate on developing opportunities across the entire energy value chain to deliver most benefit to the State.

The SCI reaffirms Synergy’s commitment to deliver on its legislated requirements to act in accordance with prudent commercial principles and endeavour to make a profit, consistent with maximising its long-term value.

In doing so, Synergy will not lose sight of providing support to hardship customers and will stand by its commitment to the communities in which it operates.

ROBERT COLE
CHAIRMAN
2 BUSINESS OVERVIEW

2.1 Strategic objectives

Synergy’s corporate strategic vision is to become the “first choice for energy, trusted to provide homes and businesses with innovative and effective products and services. For today and tomorrow”.

Synergy owns and operates electricity generation assets, including thermal power stations and wind farms spanning from Kalbarri in the north, out to Kalgoorlie in the east and down to Albany in the south in an electricity network known as the SWIS. Established under the Act and owned by the State Government of Western Australia, Synergy reports to the Minister for Energy, the Hon Bill Johnston MLA.

This SCI has been developed with the long-term objective of improving Synergy’s current financial position by improving Synergy’s commercial sustainability to pursue long-term returns to the State Government and Western Australian taxpayers. It has been developed consistent with section 61(1) of the Act to “act in accordance with prudent commercial principles; and endeavour to make a profit consistently with maximising its long-term value”.

The timeframe covered in this SCI is one of the most critical and transformational periods for the energy industry. Collectively, Synergy and its stakeholder partners must work together to ensure the challenges are overcome successfully for the benefit of all consumers and the State. In the immediate term, Synergy will continue to work with government on factors within its control and within the parameters below to address risks concerning Synergy’s financial position.

Accordingly, over the period of this SCI Synergy will:

(a) continue to operate in Western Australia as a Government Trading Enterprise (GTE);

(b) be a trusted and aligned source of expertise for government and be a respected and trusted market participant, reflecting its leading role in the Western Australian energy landscape;

(c) be as commercially sustainable as possible and provide returns to its owner;

(d) remain a gentailer with a strong footprint in the generation, wholesale and retail markets; and

(e) plan for a reduced coal-fired generation portfolio with the staged closure of the Muja power station C units, balanced by developments in large-scale renewable generation and energy storage.

The pursuit of the strategic vision is underpinned by a set of values that are aimed at guiding the behaviour of all Synergy employees. The four core values are:

(a) innovation - this is driven by a belief that there are always better ways of doing things by embracing change and the opportunity of Synergy to shape its own future;
(b) **accountability** - for Synergy this means taking ownership and initiative to solve problems, demonstrating responsibility and taking ownership of decisions;

(c) **collaboration** - seeking and sharing both goals and the ideas that promote the best outcomes for the business, respect for team members and working cooperatively as one team; and

(d) **trust** - for Synergy this means acting with integrity and creating a work environment that sets others up for success, valuing peers, customers and the wider community in which Synergy operates.

Supporting Synergy's values are commitments to financial management, customer excellence and safety.

Synergy’s purpose, “leading Western Australians to their intelligent energy future”, is based on the legacy role we have played in the State and what customers are demanding of us in the future. Our purpose underpins our decision-making processes, is the central anchor point that defines our role in the industry and the way we serve our customers through improving existing and developing new energy solutions.

### 2.2 COVID-19 response

In response to the COVID-19 pandemic, Synergy enacted a business continuity plan which aligns to the COVID-19 recommendations provided by the State and Federal Governments. Actions are regularly updated to reflect changes in advice.

Synergy has contingency plans in place to safeguard the delivery of critical services for customers, in the event staffing levels are affected. Synergy will continue to support every customer and their individual circumstances as the State responds to the COVID-19 pandemic.

As part of the government’s policy to provide relief to Western Australian families and small businesses during the COVID-19 pandemic, Synergy implemented the government’s decision to freeze household electricity tariff increases and adjusted its tariff glide path over the forward estimates.

Concessions provided to vulnerable customers were increased as part of the government’s COVID-19 economic response. This included the introduction of the Western Australian energy assistance payment (WAEAP) boost provided to existing WAEAP customers and all new applicants who successfully registered before 30 September 2020. Synergy also waived dishonour fees, late payment charges and interest charges on late payments and implemented a disconnection moratorium to ensure those facing financial hardship as a result of COVID-19 did not face disconnection. For eligible small businesses and charities, a one-off small business and charity tariff offset was provided to reduce current and future electricity bills. Combined, these measures represent approximately $300 million of financial assistance to eligible customers.

Synergy has an ongoing commitment to support customers in hardship through programs such as case manager one on one customer support, education for customers on how to reduce energy usage, and offering customers payment arrangements which vary bill payment frequency and amounts to take into account unexpected life events that impact their capacity to pay.
As part of the 2020-21 State Budget, the McGowan Government announced on 4 October 2020, a one-off electricity account credit to reduce electricity bills for all residential customers. The $600 one-off WA Household Electricity Credit will be applied to eligible customers’ accounts as an offset on and from 1 November 2020, allowing more families to have a bit of extra money available in the lead up to Christmas.

Synergy will deliver and implement two initiatives as part of the WA recovery plan – the schools virtual power plant (Schools VPP) pilot and the smart energy on social housing (SESH) pilot.

The Schools VPP pilot will transform ten schools into smart, green VPPs receiving rooftop solar panel systems and commercial batteries. The pilot will oversee the installation of Synergy owned batteries at the schools, to turn existing solar installs into “smart solar.” The Schools VPP will be aggregated, centrally controlled and orchestrated by Synergy for the benefit of the school and local community.

SESH is a smart energy pilot for social housing. It will install solar panels and other distributed energy resources (DER) on social housing to provide those who would otherwise not easily access renewable technology, the opportunity to unlock solar benefits. The project aim is to develop and deliver a scalable delivery model for DER on social housing that provides value to Synergy and tenants.

The pilot is expected to benefit around 500 properties, with program participants to save significantly each year on their electricity bills.

2.3 Operations/activities

Synergy is the largest integrated electricity generator and energy retailer operating in the SWIS. Its objective is to utilise its diverse energy generation portfolio to supply reliable and efficient energy to wholesale and retail customers.

Currently, Synergy employs more than 700 people servicing over one million electricity customer accounts and approximately 400 industrial and commercial gas customers.

Synergy owns Western Australia’s largest electricity generation portfolio with 2120 megawatts (MW) of capacity and 1620 MW contracted under existing power purchase agreements.

In line with the requirements of the Act and the Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013, Synergy is functionally organised to deliver on its key purpose as follows:

(a) generation: responsible for the management of Synergy’s generating assets, including the safe and reliable operations and maintenance of Synergy’s power stations and associated infrastructure;

(b) wholesale: responsible for the wholesale trading of electricity and gas. The wholesale business unit (WBU) manages the dispatch of Synergy’s generation fleet, independent power producer contracts and Synergy’s fuel contracts. WBU buys electricity and related products and sells to
retail and wholesale market participants under ring fenced arrangements; and

(c) retail: carries out the retail operations of Synergy, involving the pricing, sale and marketing of electricity and gas to customers. Retail is focused on customer experience and driving high levels of service and engagement.

3 BUSINESS: EXTERNAL ENVIRONMENT AND INTERNAL CHALLENGES

Synergy, like many electricity utilities around the world, is facing significant disruption. Upstream generation activities are being challenged by the increased penetration of large and small-scale renewable generation.

Western Australia has the third highest proportion of customers with rooftop solar PV installations in Australia (approximately 30 percent), with annual installation uptake levels in the SWIS tripling from 70 MW in 2014 to nearly 220 MW in 2019. Annual uptake of rooftop solar in the SWIS is expected to increase by a further 200 MW per annum over the next five years.

It is forecast that by 2024 over 1,200 MW of large-scale renewable wind and solar projects will be installed on the SWIS. Over the same period, combined rooftop solar and large-scale renewable generation output will account for approximately 35 percent of the total electricity supplied on the SWIS. This will reduce the need for scheduled gas and coal generation, representing the majority of Synergy’s fleet, by almost 20 percent.

The cumulative effect of the rapid growth in rooftop solar, combined with both public and private investment in small and large-scale renewable projects, is significantly changing the generation supply mix within the SWIS. In 2018, rooftop solar accounted for approximately 8 percent (over 1,600 gigawatt hours (GWh)) of energy produced in the SWIS. By 2024, the output will double to exceed 16 percent (over 3,435 GWh).

The rapid uptake of rooftop solar is having a profound impact on grid-supplied electricity, by systematically reducing net demand during the day and increasing variability of dispatch outcomes. Volumetric-based tariff structures and existing levels of renewable energy buyback scheme prices exacerbate this trend by sending inefficient price signals to customers and make it increasingly difficult for Synergy to recover the largely fixed cost nature of electricity supply costs. The announcement by the State Government of the implementation of a distributed energy buyback scheme will encourage households towards more efficient behaviour as well as using or storing their own energy, mitigating some of the impact of increasing DER.

3.1 Declining growth in customer demand

Customers now have greater autonomy and more choice in the way they source, use, store and pay for electricity. In the short term, franchise volume is forecast to decline over the next five years by approximately 1.5 percent, a continuation of the trend seen over recent years.
3.2 Increasingly competitive landscape

Changes in customer expectations, competition from other retailers and technological disruptions are direct challenges to Synergy’s future sustainability and economic performance.

3.3 Regulatory and policy environment

Synergy is supporting the State Government’s GTE reform program and its proposed principles, which aims to streamline the operations of GTEs, standardise governance and accountability and strengthen oversight.

Synergy is also supporting the State Government’s energy reform program by proactively working with the Energy Transformation Taskforce (ETT), the Energy Transformation Implementation Unit (ETIU), Energy Policy WA and the Department of Treasury (DoT) to progress and implement various reform elements. Synergy’s commitment to supporting the ETIU extends to providing funding and other resources.

Synergy will ensure internal business strategies and any new business models, products and services align with the State Government’s energy reform agenda and, where such activities create financial and reputational risk exposures for the State, the State Government’s explicit approval will be sought beforehand.

4 STRATEGIC OBJECTIVES

Synergy’s SCI for 2020-21 has been developed with the objective of improving Synergy’s commercial sustainability to pursue long-term returns to the State Government and Western Australian taxpayers. Accordingly, Synergy will:

(a) continue to operate in Western Australia as a government owned trading enterprise;

(b) be a trusted and aligned source of expertise for government and be a respected and trusted market participant, reflecting our leading role in the Western Australian energy landscape;

(c) endeavour to be commercially sustainable and provide returns to our owner; and

(d) remain a gentailer with a strong footprint in the generation, wholesale and retail markets.

In addition to our strategic objectives, the safety and wellbeing of our people is fundamental to our business.

4.1 Ongoing transition of the generation fleet

With ongoing changes in demand, the rise of new technologies and changes to the market, Synergy needs to re-shape its supply portfolio to more effectively match current and future electricity demand requirements.

In reshaping generation business operations, Synergy will continue to play a key role in maintaining a secure and reliable electricity supply to SWIS customers and in doing so, support economic growth and the diversification of the WA economy.
As Synergy works towards the staged closure of the two Muja C coal-fired units in 2022 and 2024, the business will continue to manage the employee transition associated with the change in operations by undertaking ongoing and proactive engagement with key stakeholders including government, industry, employees and unions and where practical, retraining impacted employees and move them into new roles created to execute strategic priorities. Synergy has developed a workforce transition program with impacted employees and their unions and will fund and deploy that program.

4.2 Investing in digital capabilities

Investment in digital capabilities will improve productivity, decrease Synergy’s future cost base and deliver higher levels of customer service. Transitioning to a digitally enabled, high performance culture will enable the organisation to improve operations and increase flexibility throughout the value chain.

During the SCI period Synergy will continue to focus on three streams:

(a) mobile workforce: development of mobile solutions to increase the engagement and productivity of frontline workers;

(b) plant optimisation: leverage advanced analytics to explore and implement cost saving improvements in plant operation; and

(c) optimise and automate processes: support the optimisation of Synergy’s processes and automate where appropriate to transition to a customer-centric, digitally led retailer combining technology and data.

5 PERFORMANCE MEASURES AND OBLIGATIONS

Synergy’s most recently approved forecast financial outlook is presented below.

5.1 Key performance indicators (KPI)

The business will manage day-to-day performance through the use of a wide range of operational KPIs. The measures and targets for these operational KPIs for 2020-21 are as detailed below:

<table>
<thead>
<tr>
<th>Financial performance</th>
<th>2020-21 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings before interest, depreciation, amortisation and tax (EBITDA) ($ million)</td>
<td>$57.47</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>1.99%</td>
</tr>
<tr>
<td>Net profit after tax (NPAT) margin (%)</td>
<td>-0.38%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational performance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Various legislative compliance requirements</td>
<td>Zero breaches</td>
</tr>
</tbody>
</table>
Customers

<table>
<thead>
<tr>
<th>Grade of service</th>
<th>Greater than 80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of complaints referred to the Energy Ombudsman</td>
<td>&lt;1,800</td>
</tr>
<tr>
<td>Customer Effort Score (CES)</td>
<td>67.5%</td>
</tr>
</tbody>
</table>

Employee

| Safety – Recordable Injury Frequency Rate (RIFR) | 1.9              |

5.2 Dividend policy

Consistent with the performance targets, dividends are agreed annually with government according to the profit results. Synergy will comply with the requirements of the Act. Section 126 of the Act requires the Synergy board to recommend a final dividend to the Minister for Energy (the Minister) as soon as practicable after the end of the financial year. Synergy’s current dividend payout ratio is 75 percent of the audited June year-end NPAT equivalent.

Payment of a final dividend, once accepted by the Minister with the concurrence of the State Treasurer (Treasurer), is generally no later than six months after the end of the financial year to which it relates.

Where an interim dividend is paid, the amount is offset from the final dividend payment.

5.3 Accounting policies and governance standards

Synergy’s accounting policies are consistent with Australian accounting standards, applying the not-for-profit elections where applicable. Financial statements utilise the accruals basis of accounting and reflect the historic cost convention, except for derivative financial instruments and defined benefit obligations, which are measured at fair value.

In addition, the following guidelines and standards are considered to be most relevant to Synergy’s corporate governance practice:

(a) Australian standard: AS 8000-2003: good governance principles;


(c) Australian standard: AS ISO 31000: 2009 risk management – principles and guidelines; and


Although Synergy is not obliged to comply with the ASX guidelines, the business has committed to adopt best practice principles and practices that are in the best interests of its stakeholders.
5.4 Ministerial reporting

To meet the reporting requirements as outlined in the Act, Synergy will provide the Minister and Treasurer with a quarterly report (including a separate statement of financial performance for each business unit and subsidiary), for the first three quarters, and an annual report for the whole financial year.

Each quarterly report will be submitted one month after the end of the quarter. It will include:

(a) an overview of performance including specific performance indicators as detailed in the SCI;

(b) highlights of important achievements; and

(c) consolidated financial statements with relevant accompanying notes.

The following additional confidential information will be provided:

(a) on a quarterly basis, for the profit and loss statement, a summary of key variances to year-to-date budget with accompanying commentary; and

(b) on an annual basis, within three months of the end of the financial year, a schedule comparing actual capital expenditure against budgeted capital expenditure, by project.

The annual report will follow the end of the financial year and will be provided to the Minister and Treasurer within the time specified by the Act. It will include:

(a) consolidated statutory financial statements;

(b) other statutory information required of any company under the corporations law;

(c) an overview of major achievements and an appraisal of future prospects;

(d) a comparison of performance with the SCI targets; and

(e) other information required by the Act to be included, such as the particulars of any directions given by the Minister.

In addition to quarterly and annual reports, the Minister and Treasurer will be provided with:

(a) an SDP and a one-year SCI;

(b) a report on staff compliance with any board issued codes of conduct;

(c) any information in Synergy’s possession requested by the Minister;

(d) quarterly overseas travel reports in accordance with Premiers Circular 2014/02; and

(e) a six-monthly report on consultants engaged on contracts for services in accordance with Premier’s Circular 2019/06.
In communicating with the Minister, a formal protocol has been developed with the Minister’s office covering comprehensive communications with the Minister.

The protocol is consistent with the Act and seeks to ensure the Minister is provided with information that is factual, timely and reflects the best information available at the time. Consistent with the requirements of the Act, Synergy will consult the Minister on items of significant public interest. Matters agreed on between the Minister and board.

The Minister has sought the agreement of the board on several matters in 2019-20 which will also apply in 2020-21. These include consultation on board appointments, the closure of the Muja C units, Synergy’s dividend commitments, the SoE and this SCI.

5.5 Community service obligations

Section 99(1) of the Act defines “community service obligations” as “obligations to perform functions or to meet performance targets that it is not in the commercial interests of the corporation concerned to perform or meet”.

Synergy is subject to a number of obligations that are not in its commercial interests. This includes the administration of a number of concession and rebate payments to eligible electricity customers and administration of the payment of the net feed-in tariff (FIT) scheme to eligible solar PV owners, representing the shortfall in available rebate provided for by the State Government.

Synergy has and continues to receive subsidies on behalf of its customers across a range of social concessions and to facilitate other government policies to lessen the cost of electricity to residential and small business customers in the south west of Western Australia.

In April 2020, the State Government approved a suite of operating subsidies to be provided to Synergy to fund it for cost shortfalls that it is currently unable to recover, as identified under the financial viability project. The payment is to be treated as a community service obligation to meet performance functions or to meet performance targets that are not in the commercial interest of the corporation.

The government supports those under financial hardship or on a concession through a range of subsidies. These range from the WAEAP to supporting eligible customers with dependent children, to waiving several appropriate fees.

In line with the objectives of the policy when introduced and the 10-year term contracts with customers, the FIT scheme will be phased out by 2021-22.
Subsidies administered by Synergy on behalf of the government:

<table>
<thead>
<tr>
<th>Details of Payments ($ million)</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
<th>2023-24</th>
</tr>
</thead>
<tbody>
<tr>
<td>$600 Household Electricity Credit (HEC)</td>
<td>617.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>COVID-19 hardship response</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Community Energy Exchange (Schools VPP)</td>
<td>4.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Renewable (Smart) Energy for Social Housing</td>
<td>1.0</td>
<td>2.0</td>
<td>2.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Energy Assistance Payment (EAP) (one off Boost)</td>
<td>11.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Energy Assistance Payment (EAP)</td>
<td>75.0</td>
<td>71.5</td>
<td>72.6</td>
<td>73.6</td>
</tr>
<tr>
<td>Dependent child rebate (DCR)</td>
<td>20.7</td>
<td>19.8</td>
<td>20.1</td>
<td>20.4</td>
</tr>
<tr>
<td>Air conditioning rebate (ACR)</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Account establishment fee waiver (AEF)</td>
<td>1.4</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Late payment waiver (LPC)</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Social Concession Subsidies</td>
<td>733.5</td>
<td>96.9</td>
<td>98.3</td>
<td>98.5</td>
</tr>
<tr>
<td>Feed-in Tariff (FIT)</td>
<td>33.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Renewable Energy Buyback Scheme (REBS)</td>
<td>32.1</td>
<td>32.2</td>
<td>32.4</td>
<td>32.5</td>
</tr>
<tr>
<td>Distributed Energy Buyback Scheme (DEBS)</td>
<td>0.2</td>
<td>0.4</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Tariff Equalisation Contribution (TEC) Recovery</td>
<td>90.7</td>
<td>86.3</td>
<td>84.8</td>
<td>85.3</td>
</tr>
<tr>
<td>Re-energisation Fee Recovery</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>De-energisation Fee Recovery</td>
<td>4.4</td>
<td>4.5</td>
<td>4.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Paper bill Fee Recovery</td>
<td>2.4</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Over the Counter Fee (OTC) Recovery</td>
<td>1.3</td>
<td>1.3</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Wholesale Electricity Market Reform</td>
<td>14.5</td>
<td>4.4</td>
<td>4.7</td>
<td>4.3</td>
</tr>
<tr>
<td>Financial Viability Project Subsidies</td>
<td>182.1</td>
<td>135.0</td>
<td>134.3</td>
<td>134.8</td>
</tr>
<tr>
<td>Total Operating Subsidies</td>
<td>915.6</td>
<td>231.9</td>
<td>232.6</td>
<td>233.3</td>
</tr>
</tbody>
</table>

Customers per subsidy (where applicable):

<table>
<thead>
<tr>
<th>Number of Recipients</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
<th>2023-24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Assistance Payment (EAP) (one off Boost)</td>
<td>38,138</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Assistance Payment (EAP)</td>
<td>299,356</td>
<td>304,146</td>
<td>309,316</td>
<td>314,574</td>
</tr>
<tr>
<td>Dependent child rebate (DCR)</td>
<td>70,578</td>
<td>71,708</td>
<td>72,927</td>
<td>74,166</td>
</tr>
<tr>
<td>Air conditioning rebate (ACR)</td>
<td>336</td>
<td>342</td>
<td>347</td>
<td>353</td>
</tr>
<tr>
<td>Account establishment fee waiver (AEF)</td>
<td>33,072</td>
<td>33,601</td>
<td>34,172</td>
<td>34,753</td>
</tr>
<tr>
<td>Late payment waiver (LPC)</td>
<td>99,876</td>
<td>101,474</td>
<td>103,199</td>
<td>104,953</td>
</tr>
<tr>
<td>Social Concession Subsidies</td>
<td>541,356</td>
<td>511,270</td>
<td>519,961</td>
<td>528,801</td>
</tr>
<tr>
<td>Feed-in Tariff (FIT)</td>
<td>54,123</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewable Energy Buyback Scheme (REBS)</td>
<td>289,947</td>
<td>289,947</td>
<td>289,947</td>
<td>289,947</td>
</tr>
<tr>
<td>Distributed Energy Buyback Scheme (DEBS)</td>
<td>21,087</td>
<td>21,424</td>
<td>21,788</td>
<td>22,159</td>
</tr>
<tr>
<td>Tariff Equalisation Contribution (TEC) Recovery</td>
<td>1,010,770</td>
<td>1,026,942</td>
<td>1,044,400</td>
<td>1,062,155</td>
</tr>
<tr>
<td>Re-energisation Fee Recovery</td>
<td>52,271</td>
<td>53,108</td>
<td>54,011</td>
<td>54,929</td>
</tr>
<tr>
<td>De-energisation Fee Recovery</td>
<td>78,073</td>
<td>79,322</td>
<td>80,671</td>
<td>82,042</td>
</tr>
<tr>
<td>Paper bill Fee Recovery</td>
<td>263,275</td>
<td>267,488</td>
<td>272,035</td>
<td>276,660</td>
</tr>
<tr>
<td>Over the Counter Fee (OTC) Recovery</td>
<td>714,896</td>
<td>726,334</td>
<td>738,682</td>
<td>751,239</td>
</tr>
<tr>
<td>Financial Viability Project Subsidies</td>
<td>2,484,442</td>
<td>2,464,565</td>
<td>2,501,534</td>
<td>2,539,131</td>
</tr>
<tr>
<td>Total Operating Subsidies</td>
<td>3,025,798</td>
<td>2,975,835</td>
<td>3,021,495</td>
<td>3,067,931</td>
</tr>
</tbody>
</table>
5.6 Borrowings

At 30 June 2020, Synergy’s total debt was $228 million. Synergy’s debt position is forecast to increase to $300 million by the end of the 2020-21 financial year.

5.7 Pricing

Synergy exclusively supplies non-contestable customers (those consuming less than 50 MWh/year) in the SWIS. Tariffs for these customers are regulated and are annually reviewed and set by the State Government.

Synergy supplies contestable customers (those consuming greater than 50 MWh/year) within the SWIS through either a regulated tariff, which is annually reviewed and set by the State Government, or on market-based contract terms.

Synergy’s fees and charges are also annually reviewed and set by the State Government.

Synergy and DoT provide advice to the Minister and Treasurer, respectively, as part of the tariffs, fees and charges setting process.
Appendix 1: Explanatory notes concerning KPIs

<table>
<thead>
<tr>
<th>KPI</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Performance</strong></td>
<td></td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>Measure of operating profitability margin regardless of capital structure (depreciation and interest payments) or taxes, calculated as: EBITDA / total revenue.</td>
</tr>
<tr>
<td>NPAT margin</td>
<td>Measure of profits of business operations - i.e. what remains after subtracting all the costs including depreciation, interest, and taxes from total revenue.</td>
</tr>
<tr>
<td><strong>Targets</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Operational performance</strong></td>
<td></td>
</tr>
<tr>
<td>Various legislative compliance requirements</td>
<td>Proven breaches of environmental protection legislation. Proven breaches of market rules resulting in penalties.</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td></td>
</tr>
<tr>
<td>Grade of service</td>
<td>The percentage of calls that were answered within 30 seconds.</td>
</tr>
<tr>
<td>Number of customer complaints referred to the energy Ombudsman</td>
<td>The number of customers who choose to contact the energy Ombudsman to resolve a dispute involving Synergy.</td>
</tr>
<tr>
<td>CES</td>
<td>CES is the percentage of survey respondents who rate a 9 or 10 out of a 0 - 10 point rating scale for the question “How easy was it to interact with Synergy?”</td>
</tr>
<tr>
<td><strong>Employee</strong></td>
<td></td>
</tr>
<tr>
<td>RIFR</td>
<td>An occurrence that resulted in a fatality, permanent disability or time lost from work of one day/shift or more (Workplace Injury and Disease Recording Standard (Australian Standard 1885.1 – 1990))</td>
</tr>
</tbody>
</table>

DM# 23551898  Page 14