



STATEMENT OF CORPORATE INTENT

2011/12

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EXECUTIVE SUMMARY	5
INTRODUCTION	6
Corporate requirements.....	6
Synergy’s values.....	6
SYNERGY’S STRATEGY	7
STRATEGIC THEMES AND INITIATIVES.....	10
1.1 Deliver commercial returns consistent with our risk profile	10
1.2 Create an Optimised and Secure Supply Portfolio.....	10
1.2.1 Fuel is more expensive	11
1.2.2 Electricity demand is becoming peakier	11
1.2.3 Capacity is more expensive	12
1.2.4 Network connection costs are greater.	13
1.2.5 Increased purchase of renewable energy	14
1.3 Grow the Core Business.....	14
1.4 Leverage the Customer Base for New Opportunities.....	14
1.4.1 Grow the gas business	15
1.4.2 Perth Solar City and smart grid road map initiative	15
1.5 Developing our Team and Talent for the Future.....	16
1.6 Customer Advocacy and Thought Leadership.....	17
1.7 Effectively managing the regulatory environment.....	17
KEY PERFORMANCE INDICATORS.....	19
Balanced Scorecard	19
Operational Performance Measures	19
Social Responsibilities.....	20
Accounting and Dividend Policy.....	20
Accounting Standards	20
Dividend Policy	21
APPENDIX ONE.....	22

KPI Definitions 22

Synergy's Statement of Corporate Intent outlines Synergy's goals and objectives for 2011/12.

Synergy is mindful of its role in the energy market in Western Australia, to support the franchise market, encourage investment in the wholesale market, and deliver competition in the industrial and commercial energy market.

The core functions and responsibilities of Synergy are defined in the Electricity Corporations Act 2005 (WA), and relevant regulations and codes. These specify the way in which Synergy will fulfil its obligations in the energy market. Importantly, Synergy's governing legislation requires Synergy to make commercial business decisions.

This Statement of Corporate Intent details the way in which the legislative and statutory obligations on Synergy and the policy requirements of our shareholder, the Western Australian State Government, will be met.

There is much Synergy can be proud of since its inception in 2006, but there continues to be a significant role the organisation has to play in the development of a reliable, sustainable, secure and competitive energy market in Western Australia.

The energy market is rapidly changing, and on behalf of its customers, Synergy must continue to evolve to ensure it is meeting the needs of its customers, and shareholder, during such changes. Synergy will play a key role in assisting customers reduce their energy bills to reduce the burden of increasing energy prices.

The market can no longer view energy with indifference. Whereas in the past, energy was cheap, this is no longer the case. This has precipitated a renewed focus on the role of Synergy to be an agent of change to deliver customer improved outcomes, and a genuine solution provider which is Synergy's strategic direction over the SCI period.

This Statement of Corporate Intent outlines the work which will be undertaken over the following twelve months to take Synergy on its journey to achieving our vision.

**MR MICHAEL SMITH
CHAIRMAN**

EXECUTIVE SUMMARY

The Statement of Corporate Intent (SCI) outlines Synergy's strategies and objectives during 2011/12.

There are many challenges faced within the energy industry, globally, nationally and locally, all of which are important to Synergy meeting the expectations of its shareholder and customers.

These challenges include:

1. Enhance billing performance and customer service.
2. Energy costs and prices that will continue to rise. Synergy is uniquely placed to assist customers by providing solutions to reduce their bills and put downward pressure on market and internal retailer costs to the extent possible.
3. WA's energy demand will continue to grow as will the associated infrastructure investment required to service this growing demand.
4. Customers will require more sophisticated services from their retailer, particularly based on more granular understanding of their consumption and alternatives available to meet their energy needs in a more environmentally sensitive manner.
5. Contracting long term gas supply will continue to be a challenge as will securing cost competitive supply.
6. The renewable energy target will represent an expanding percentage of the electricity that Synergy will purchase. This will create additional infrastructure requirements, cost pressures and risks to manage.
7. Uncertainty persists with respect to energy efficiency targets and CO₂ reduction targets. These targets will add to costs that Synergy will need to recoup from customers.
8. Electricity demand is becoming peakier and evidence suggests this trend will continue unless specifically addressed.
9. Synergy's role in supporting new substantial state development initiatives such as the Mid West.

Synergy is a leading and successful participant in Western Australia's energy market and is committed to formulating objectives and implementing strategies that entail, encourage, foster or support a secure, reliable, competitive and cleaner energy market in Western Australia.

INTRODUCTION

Synergy markets approximately 69% of the electricity sold in the SWIS (franchise and contestable customers) and over 50% of the contestable gas load (to the Industrial and Commercial market). The business carries this out with a workforce of approximately 335 (full time equivalent) people possessing appropriate knowledge and skills to assist customers and meet business needs.

Corporate requirements

The principal functions of Synergy are defined in the Electricity Corporations Act 2005 (WA), the Electricity Industry Act 2004 (WA) and relevant Regulations and Codes.

The functions of the Corporation are —

- to supply electricity to consumers and services which improve the efficiency of electricity supply and the management of demand;
- to purchase or otherwise acquire electricity for the purposes of supplying electricity to customers;
- to provide ancillary services; and
- to acquire gas and supply it to consumers.

It is also the function of Synergy to use its expertise and resources to provide consultative, advisory or other services for profit; to develop and turn to account any technology, software or other intellectual property relating to the functions above; to manufacture and market any product relating to the functions above; or to exploit its fixed assets for profit so long as the proper performance of its functions are not affected.

In performing its functions, Synergy must act with prudent commercial principles and endeavour to make a profit, consistent with maximising its long-term value.

Synergy's values

Synergy's values are embedded in the organisation. The organisational values on which Synergy bases its reputation and are the guiding principles upon which staff and business operate, are:

Enterprising: Enables the business to seize opportunities, move ahead, take the initiative, innovate and focus on being the experts in energy. Synergy supports a culture focused on the growth of the business, its people, the community, the environment and the State;

Quality Relationships: Ensures Synergy focuses on establishing good relationships with each person with an interest in its business: Synergy understands the importance of good relationships with customers, staff, stakeholders, the community and the environment;

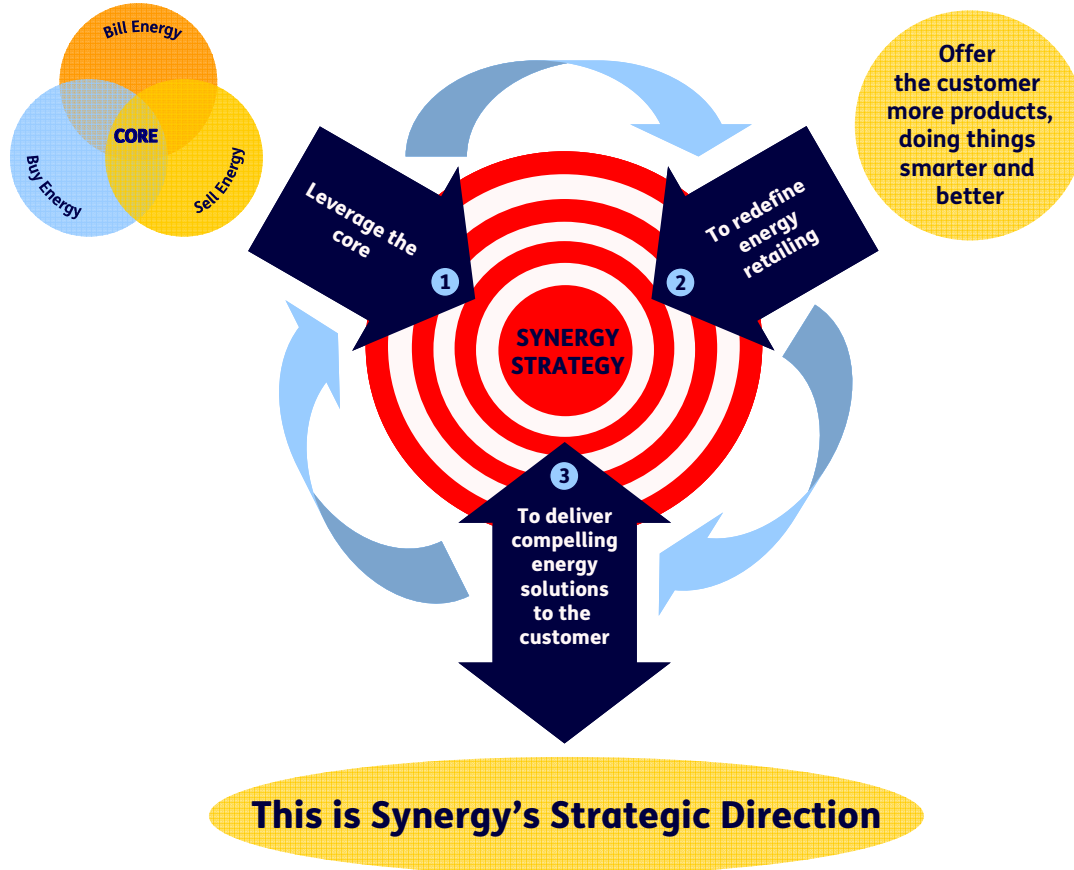
Spirit: Is an intrinsic quality to enable Synergy to approach work with enthusiasm and eagerness. It breeds a culture of initiative, interest and “giving things a go” and

Integrity: Is the foundation that grounds the business. Synergy will keep its promises and build trust with customers and stakeholders.

SYNERGY'S STRATEGY

Synergy has implemented a new strategy to take the business forward to refocus on the customer. Synergy's strategy is encapsulated in the following schematic:

Figure 1: Synergy's strategy



Synergy's core business is to buy, sell and bill energy. This will always be Synergy's primary focus.

Customers rightly expect improved operational performance from Synergy and Synergy's future activities are founded on the trust it must rebuild with its customers.

The challenges and needs of energy customers are evolving in a way so as to require energy retailers to have a more sophisticated suite of products and energy solutions. Synergy is no different to any other energy retailer, just as other retailers have broadened the range of products and solutions they provide their customer so ultimately must Synergy.

Synergy must meet the needs of its customer base in a value focused manner to ensure its relevance in the market place. As such Synergy must evolve and become a more energy solutions orientated business and not be constrained to only conduct its core business. Just as other retailers have gone beyond the core offering; so must Synergy.

While core business will be critical, it represents a means to leverage new solutions to the customer's energy needs. The success of Synergy's strategy is based on how well it executes its core activities of buying, selling and billing energy. Synergy's core activities are a basis for the expanding trust Synergy needs to develop with its customers to permit the expansion in

Synergy's solution offering. Synergy's strategy stresses the importance of consolidating its billing system implementation to reassert operational control to stabilise billing performance and customer service.

Some of the initiatives that Synergy has already or will need to embrace to address the market need include:

- Managing programmes to address, alleviate or avoid customer hardship by providing energy related coaching and appliance upgrades to improve energy efficiency,
- Providing smart energy solutions to the customer such as in-home displays and enhanced web portal access to enable the customer to better understand and manage their energy consumption,
- Environmental products such as carbon offsets to enable customers to reduce the carbon intensity of their energy consumption, and
- Potentially providing embedded generation solutions to customers to help them manage increasing energy costs.

Underpinning Synergy's strategic direction are the following strategic themes. These strategic themes are the key focus areas for Synergy during the SCI period.

1. Deliver commercial returns consistent with our risk profile
 - Ensure that Synergy is effectively managing its risk exposure and maximising shareholder returns in a manner consistent with the shareholders policy priorities
2. Create an Optimised and Secure Supply Portfolio
 - Create and manage a portfolio of energy (electricity and gas) that can ensure Synergy's competitive position in the market
3. Grow the Core Business
 - Entrench and extend the customer relationship by securing additional transactions to service the customer demand for energy, particularly in growth areas of the market (such as the Mid West).
4. Leverage the Customer Base for New Opportunities
 - Leverage the SAP platform to deliver improved product and service offerings which meet customer needs and expectations and deliver cost efficiencies.
 - Deepen our understanding of the customer base and expand the means by which we service their current and evolving energy needs.
 - Deliver tailored products and communications to strengthen our relationship with customers, increasing customer stickiness while reducing the cost to service the customer base.

5. Develop Synergy Team and Talent

- Entrench the Synergy Values – Enterprise, Spirit, Integrity and Quality Relationships.
- Develop the skills sets of Synergy’s team and ensure that Synergy remains an attractive place of employment for existing and prospective employees


6. Customer Advocacy and Thought Leadership

- Prepare customers and stakeholders for a changing energy future.
- Ensure customers understand that we have an integral role in the area of security and reliability of their energy supply, and increase their awareness of the impact of energy consumption on the environment.
- Ensure Synergy is a trusted and expert player in the energy market and an active customer advocate - delivering customer focused energy solutions.

7. Effectively managing the regulatory environment

- Proactively pursue regulatory change likely to be advantageous to Synergy’s customers
- Encourage an appropriate outcome from the Market Advisory Committee with respect to market rule changes
- Encourage an appropriate outcome from the Renewable Energy Working Group with respect to the treatment of renewable energy technologies
- Facilitate appropriately designed electricity pricing structures e.g. inclining block tariffs

Synergy’s core commitment is to its customers and Synergy recognises that customers need solutions to the challenges they face, whether they are residential, industrial and commercial or small to medium scale enterprises. Synergy also recognises its role as an agent of Government policy, particularly where this enables Synergy to deliver outcomes to its customers and meet Synergy compliance requirement. To progress Synergy’s strategic direction, Synergy is undertaking a broad range of initiatives that align with its strategic themes, which are detailed in the subsequent section of this SDP.



STRATEGIC THEMES AND INITIATIVES

1.1 Deliver commercial returns consistent with our risk profile

One of the key drivers to deliver appropriate commercial returns is to ensure that Synergy's operational efficiency is optimised. A key element of this is the optimisation of Synergy's billing and customer relationship management systems. Synergy installed its SAP customer relationship management and billing system in August 2009.

Now that Synergy has overcome initial transitional issues that arose from the implementation of the SAP billing and CRM system, it is clearly understood that further improvements in process performance and customer service are required. To facilitate this, Synergy has initiated a dedicated project to implement strategies to optimise process flows, drive down the excess data exceptions across the business, reduce overdue debt and enhance customer service.

Synergy will improve systems and business processes and will deliver improvement initiatives across key operational areas with an aim to achieve business efficiency and reassert operational control. The project will enable Synergy to accentuate its focus on driving further cost economies and enhanced business operational performance.

1.2 Create an Optimised and Secure Supply Portfolio

Synergy's primary focus has been and will always be to construct and optimise its portfolio of power purchase agreements and trading activities to minimise the cost of goods sold to contain upward price pressure faced by customers to the maximum extent possible while also maximising Synergy's profit performance. Generation costs represent around 60% of the total cost faced by customers so Synergy has a critical role to play.

Since the establishment of Synergy in 2006 Synergy's portfolio has radically changed, from one wholly sourced from Verve Energy under a vesting contract to a portfolio that is diverse where supply comes from a range of counterparties with a range of fuel sources and types including coal, gas and renewables. Synergy's portfolio must continue to evolve. Synergy has secured sufficient energy to supply its forecast load until 2015 but will be required to procure additional supply (new renewable and non renewable) to supply subsequent years demand.

At the completion of the Vesting Contract replacement that arose from the Oates (Verve Energy) Review, a perception arose that Synergy had no further need to contract additional energy. This perception is incorrect. Synergy will continue to seek to buy generation capacity and energy as competitively priced as possible, and strives to ensure that competitive tension exists in the market to the extent possible to hold prices as low as possible.

The ERA will be undertaking an inquiry into the efficiency of Synergy's costs and also review the tariff setting process.

The Inquiry broadly has three parts:

- (a) Consider and develop findings on the efficiency of Synergy's operating and capital expenditure, procurement of wholesale electricity and procurement of Renewable Energy Certificates;

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- (b) Determine the efficient cost reflective level for each tariff and the development of a methodology for the regular redetermination of the cost reflective level for each tariff; and
 - (c) Determine whether the number of different regulated tariffs should be changed and whether tariffs for large contestable customers should be phased out.

The extent of Synergy's need to procure additional energy will be driven by the growth in demand for electricity in the SWIS and Synergy's market share. As additional power purchase contracts are entered into Synergy's average portfolio cost of electricity will increase, driven by five key factors:

1. Fuel is more expensive
2. Electricity demand is becoming peakier
3. Capacity is more expensive
4. Network connection costs are greater and
5. Increased purchase of renewable energy

Synergy has strategies to address each of these costs pressures.

1.2.1 Fuel is more expensive

To contain fuel related cost pressures Synergy is encouraging greater fuel on fuel competition.

1.2.2 Electricity demand is becoming peakier

Electricity demand in the SWIS is becoming peakier which has the effect of increasing the quantity of infrastructure (power stations and network capacity) needed to service the quantity of demand. This in turn has the effect of increasing the average cost of electricity per MWh.

Synergy has a multipronged strategy to address this issue, namely through:

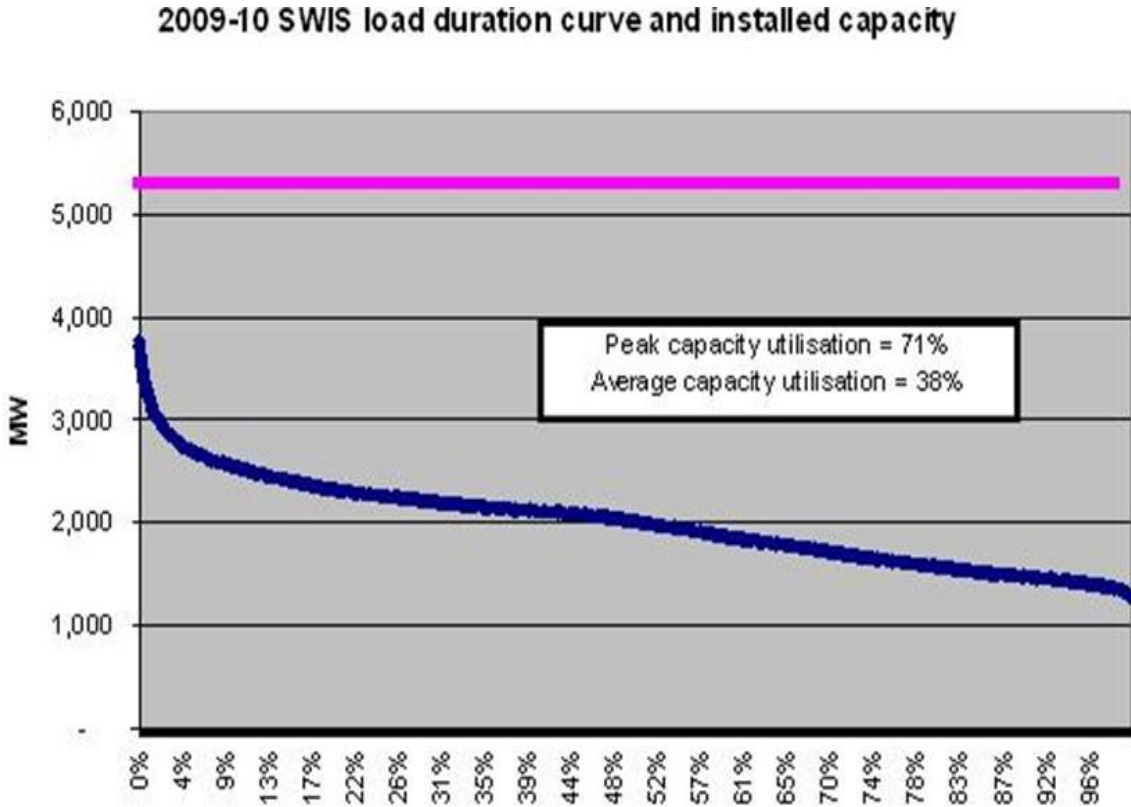
- Customer Education: Synergy is a member of the Future Energy Alliance that is designed to educate customers as to the implication of their energy consumption patterns and also provide means that they might reduce their electricity bills.
- Demand Side Management: Synergy is in discussion with potential customers for Synergy to contract curtailable load to commence in October 2012 (the 2012 capacity year).
- Smart grid: Synergy is a consortium member of the Perth Solar City Initiative where it is trialling advanced metering, in home displays and direct load control. These initiatives are designed to provide customers enhanced visibility of their consumption and its characteristics to empower them to make behavioural change to reduce the peakiness of the electricity consumption and also potentially reduce the aggregate level of consumption. To complement this strategy Synergy will need to enhance the functionality of its web portal.

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- Tariff redesign: Office of Energy is advocating more granular electricity pricing regimes that incentivise customers to reduce peak consumption and also to encourage energy conservation. These include consideration of time of use pricing, critical peak pricing, and critical peak rebate, inclining block tariffs, renewable energy buyback rate and feed in tariffs. Synergy is participating in the Tariff and Concession Review Framework process being undertaken by the Office of Energy.

1.2.3 Capacity is more expensive

IMO Capacity costs in the SWIS have increased from \$127,500 per MW per annum in the 2007 capacity year to \$186,001 per MW per annum in the 2012 capacity year. In addition, the volume of installed capacity has increased by 1,880 MW over the same period to almost 6,000 MW. The combination of the increasing price per unit and the increasing volume has significantly increased capacity costs borne by the market, and hence customers.

A compounding factor has been the over-capacity that has been accredited in the market. The following chart indicates that the average capacity utilisation in the SWIS is 38%. This figure arises from the following chart that depicts the installed capacity in the SWIS (shown as the pink horizontal line) and the dispatched capacity in the market (shown as the blue line known as the load duration curve). The relativities between these two lines clearly shows that there is a low utilisation of installed capacity in the SWIS. Even in the hottest days in December 2010 over 40% of the power stations capacity in the SWIS was not utilised, despite the high demand.



Synergy is pursuing remedies to the issue of excess and inefficient capacity accreditation through the Market Advisory Committee chaired by the IMO.

1.2.4 Network connection costs are greater.

Synergy is seeking to support concepts that reduce the need to augment the grid where practical cost effective alternatives exist. Synergy is actively participating in the Demand Side Management (DSM) market which reduces demand on the network in periods of constraint or emergency. Synergy is seeking to have demand side management capacity accredited for the 2012 capacity year.

Synergy is also exploring the development of embedded generation projects with suitable customers. Embedded generation reduces the demand on the network, and in some instances, obviates the need for otherwise required network augmentations, while also providing the customer a cheaper means of energy supply. Embedded generation is also a strategy for Synergy to potentially secure lower cost capacity credits than it is required to

otherwise buy from the market. Synergy is in active discussion with a number of customers and is currently undertaking desktop and feasibility analysis to determine if any project opportunities are worthy of progressing to prefeasibility.

1.2.5 Increased purchase of renewable energy

Another key element of increasing costs in Synergy's supply portfolio is the increasing procurement of renewable power to satisfy the renewable energy target. The requirement for retailers to purchase renewable power has increased by almost 400 per cent, and imposes additional costs that ultimately must be passed on to the customer.

The renewable energy target has been allocated into two components; the Large Scale Renewable Energy Target (LRET), and the Small Scale Renewable Energy Scheme (SRES). SRES creates small scale technology certificates (STCs) from sources such as roof top solar PV's and solar hot water heaters. Each STC has a mandated price of \$40 per certificate. The problem with the existing scheme is that there is no cap on the volume and retailers are obligated to purchase every certificate created in Australia. The liability of these STCs is allocated on the basis of electricity retail market share of the national market and not the location in which the STCs were created. This means that the policies of other States, as well as WA, to encourage the installation of STC generating technologies such as rooftop PVs creates an uncapped liability for the retailer. This liability will either be funded from increased electricity tariffs or in the form of a CSO payment. In calendar year 2011 SRES costs borne by Synergy are forecast to be \$78 million.

Synergy has strategies to enable it to achieve the LRET.

1.3 Grow the Core Business

Synergy's core business is to buy, sell and bill energy. Naturally as new opportunities to sell energy and related services to new customers arise, Synergy will seek to compete vigorously to secure these new loads to grow Synergy's core business. One of the growth opportunities available to Synergy is new mining loads that may arise in the Mid West and in other areas connected to the SWIS.

1.4 Leverage the Customer Base for New Opportunities

Synergy's customer base has evolving needs. Synergy can leverage its existing customer base and service these expanding needs. An example of this is the growing interest a number of Synergy customers are expressing in combined heat and power (also known as embedded generation), whereby the energy needs of the customer are serviced by infrastructure installed at the customer's premises.

Synergy is currently evaluating the appropriateness of combined heat and power for a number of customers on a desktop evaluation basis. Synergy will enter into more detailed assessment to the extent there is a prospect of mutual benefit for all parties. The concept of combined heat and power, if it is undertaken by Synergy, is almost identical to the current business model of Synergy, whereby Synergy enters into a contract with a generation company (just as it does now) and has a relationship with direct customer or a portfolio of customers. Fundamentally the only difference in the combined heat and power business model relative to the status quo is the location of the generation project, i.e. located inside the customer's premises as opposed to a Western Power network. Synergy does not expect the CHP market to be large but it will grow as the cost of grid supplied energy increases.

1.4.1 Grow the gas business

Synergy has established itself as an important part of the gas market in the SWIS by leveraging its electricity offering to customers and developing growth opportunities. Synergy will continue to pursue this strategy. Synergy's current gas portfolio of customers are located predominantly in the Perth metropolitan area and continues to grow steadily, achieving over 30% growth in sales revenue and 39% growth in sales volume forecast in 2010/11. Synergy has played a critical role in the gas market to aggregate gas demand and procure additional gas to meet customer demand that was otherwise too small to attract interest from gas suppliers. Without Synergy's involvement, some customers may have not secured gas or at the very minimum, would only have secured gas at much higher prices. Synergy has added competitive tension in the gas market which has resulted in a better outcome for customers.

1.4.2 Perth Solar City and smart grid road map initiative

Smart grid encapsulates the potential to communicate with customers in more sophisticated ways and provide more sophisticated energy solutions to meet the challenges of an environment of ever increasing energy costs. Synergy also sees smart grid as a critical means to deliver on a number of government policy priorities such as energy efficiency. To this end, Synergy is actively involved in exploring smart grid in collaboration with Western Power, through participation in the Perth Solar City Initiative and the development of a broader smart grid road map and business case.

Perth Solar City is a partially Federal Government funded programme designed to develop and monitor initiatives that drive uptake of solar generation, energy efficiency and energy demand management.

The programme is available to 106,000 residential homes within the six member councils of the Eastern Metropolitan Regional Council with the objectives to:

- Reduce peak load
- Reduce peak electricity demand through behavioural change
- Reduce peak electricity demand through direct load control
- Reduce customer peak load

Synergy is one of eight consortium members involved in the programme and will deliver a simplified time-of-use pricing product with a take-up by 5,000 residential customers, the deployment of 2,200 in-home displays and manage, in conjunction with Western Power, 750 residential customers utilising direct load control over a two year period.

As part of the project, Synergy and Solar Unlimited will install 111 kW of solar panels on the new Perth Arena sporting complex, which is expected to commence in June 2012. The programme was launched on 5 November 2009 and will continue until 2013.

Synergy will be upgrading its web portal to provide participating customers with more ready access to their consumption data, and also Synergy will be developing enhanced diagnostic tools to facilitate behavioural change and lower customer electricity bills. Synergy's focus will be to provide customers with practical means to manage and optimise their energy usage. This may involve providing in-home displays and smart plugs to assist customers gain a granular view of their consumption, right down to the appliance level, with the potential in

the future to possibly remotely control key electricity consuming devices. Synergy is staying abreast of development in personal applications on devices such as I-phones and I-pads that empower control by the customer. Synergy believes that this can be achieved by providing the customer with technologies, information and engage in education to achieve this outcome.

The market can no longer view energy with indifference. Whereas in the past energy was cheap, this is no longer the case. This has precipitated a renewed focus on the role of Synergy to be an agent of change to deliver customer improved outcomes and be a genuine solution provider which is Synergy's strategic direction.

1.5 *Developing our Team and Talent for the Future*

Synergy's people are a key component of the organisation and a major factor in its success to date and in the future. Synergy's People and Culture Strategy seeks to meet these challenges by attracting and retaining a talented workforce with the skills, attributes and capabilities to achieve and enhance its business strategy.

Synergy is committed to:

- Embedding its desired culture and the behaviours that will underpin success.
- Strengthen Synergy's culture and build a high performing organisation by driving the philosophy of rewarding for high performance.
- Ensuring clear alignment of people and processes with Synergy's strategic themes and business direction.
- Developing capability of the current workforce and bringing new talent and capabilities into the organisation that drive Synergy's strategic execution.
- Recognising and investing in the development of Synergy's people team and our "star" players.
- Engaging and empowering employees.
- Development and implementation of a retention strategy for key employees.

1.6 Customer Advocacy and Thought Leadership

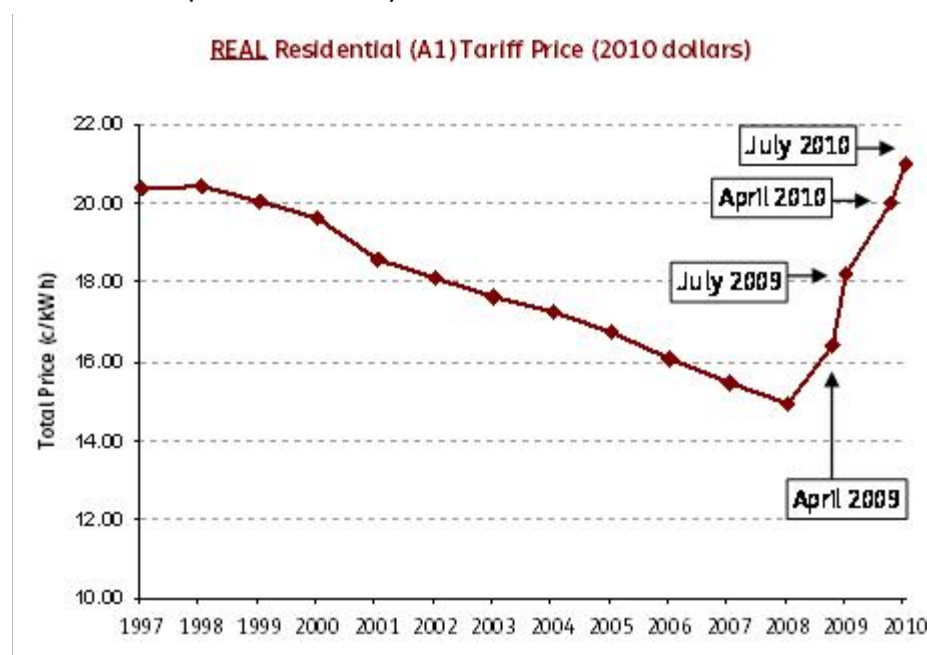
A key element of Synergy's approach is to ensure customers and stakeholders are provided with information and understanding of energy related issues that impact them. Synergy's key asset is the customer and hence Synergy is, of necessity, the customer's advocate. While Synergy is a customer advocate, it understands this is a collaborative undertaking that requires a shared understanding and also requires the investment in providing information to the customer. An example of how Synergy is doing this is the Future Energy Alliance.

The Future Energy Alliance has been formed by Synergy and Western Power to deliver coordinated energy efficiency messages to communicate future energy policies for greatest long lasting engagement of the consumer. The initial focus of the Future Energy Alliance is to create an effective energy efficiency campaign that lays the foundation for widespread public acceptance of the need for behavioural change. This initiative is not commercial from a Synergy perspective despite the overall society benefit to be achieved. This is the reason why Synergy requires a CSO to fund such activities.

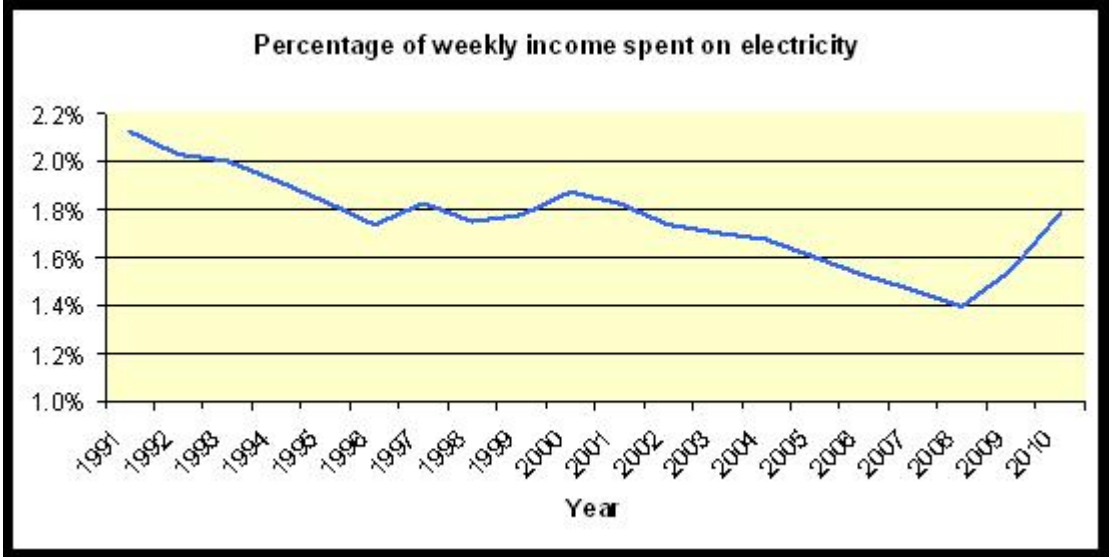
1.7 Effectively managing the regulatory environment

A significant proportion of Synergy's business revenue is regulated in the form of franchise tariffs. In 2010 almost 58 % of Synergy electricity sales volume was attributable to franchise load under regulated prices. This means Synergy's financial performance is heavily dependant on regulatory outcomes with respect to tariffs. Synergy is seeking to ensure tariffs are cost reflective and to the extent the government decides not to allow Synergy to pass through cost reflective tariffs to its customers then Synergy will require a CSO from government. The following table indicates the percentage increase in tariffs to achieve cost reflectivity to date.

Despite the significant commentary on electricity prices in recent years and the range of cost pressures that have driven higher prices, the following chart shows the movement in real electricity prices since 1997. Residential electricity tariffs have only increased three per cent in real terms (in 2010 dollars).



Over the same period the proportion of average weekly earnings devoted to paying for electricity has fallen from over 2.1 % to under 1.8 %. This means that while electricity prices have increased sharply in recent years, this is in contrast to many years of no increases during a period where average weekly earnings have been increasing at a faster rate. The following chart indicates that, on average, the burden of paying electricity bills has eased on average despite the recent electricity price increases.



Price increases are a fundamental reality of not only the energy sector but of most staples that consumers require. While the growth in average weekly earnings in WA has meant that a majority have benefited from the minerals boom, a proportion of Synergy’s customers have not been so fortunate. The Hardship Utility Grant Scheme is currently applied to 5,400 customers. Synergy believes it is critical to ensure it delivers a packaged solution to assist those customers experiencing financial hardship and also emerging hardship. Synergy believes a targeted programme to avoid or alleviate hardship to the extent possible has merit. Synergy currently has a hardship efficiency programme (HEP) that seeks to lower the customer’s bill that is experiencing financial hardship. HEP focuses on identifying the customer in need, assessing that need and delivering a solution. The HEP solution includes

1. Home energy audits to identify the pattern and nature of energy usage in the home
2. Home energy coaching to provide means where energy consumption can be reduced (hence reducing the energy bill)
3. Tangible energy efficiency solutions such as insulation, solar hot water and replacement of inefficient energy appliances e.g. fridge, washing machine, in the home (must meet eligibility criteria and be part home energy management plan).

Synergy advocates that customers must incur the cost of their own consumption choices. While increasing energy costs may be unpalatable, the expected ongoing increase in energy costs means if tariffs don’t increase in proportion, then the burden on taxpayers will increase. Subsidisation of the energy consumer by the taxpayers could result in a significant expansion of the CSO in coming years.

A key strategy that Synergy is employing to address this, is its role in the Future Energy Alliance. Synergy, with the WA government and Western Power, are ensuring that consumers understand the consequences of increased energy consumption. There will be a

need to develop an ongoing programme of initiatives to encourage further penetration of improved efficiency performance in the SWIS, many of which will require funding via a CSO. Synergy is actively developing these programmes now which may include such activities as tariff reform to provide signals to customers that incentivises them to reduce consumption and shift consumption away from the peak periods. Synergy is a key participant in the Tariff Structure Review Working Group chaired by the Office of Energy. Synergy has been advocating Inclining Block Tariffs with a public good surcharge to fund energy efficiency initiatives. Synergy suggests that in the event that smart meters become the industry norm, then time of use prices, critical peak pricing or critical peak rebates might be a preferable means to encourage customer behaviour change.

KEY PERFORMANCE INDICATORS

Balanced Scorecard

	2011/12
	BUDGET
FINANCIAL	
Earnings Before Interest and Taxation (\$M)	\$62.2M
Net Profit after Tax (\$M)	\$43.5M
CUSTOMERS	
Customer Service Index (%)	67%
Net Promoter Score	TBA
EMPLOYEE	
Organisational Effectiveness Survey	70%

Operational Performance Measures

The business will manage day-to-day performance through the use of a wide range of operational key performance indicators. The measures and targets for these operational KPIs over the forecast period are shown below.

	2008/09	2009/10	2010/11	2011/12
Contact Centre Effectiveness				
Total Number of Calls Received	1,083,434	1,257,153	1,439,432	1,470,000
% of Calls not answered within 30 seconds from when a customer is connected to a complaint/inquiry line	9.7%	25.00%	20.0%	≤ 20%
Average waiting time before a call is answered (seconds)	17.4	20.0	20.0	≤ 30

% of calls abandoned	2.28	3.8	3.0	≤ 5%
Customer Service				
Number of Customer Complaints referred by the Energy Ombudsman	487	1400	2,935	3,250
Product Development				
Accredited renewable customers	17,383	27,100	39,500	TBA
SmartPower customers	17,977	18,400	19,400	TBA

Social Responsibilities

Relationships with communities are fostered both through commercial relationships, key sponsorships and partnerships that Synergy undertakes each year.

Synergy is strongly committed to providing its customers with a consistently high level of service while minimising the cost to serve. The Customer Charter details this commitment to residential and small use business customers.

Synergy's tariff structure provides for a number of non-commercial activities to meet certain equity and welfare objectives on behalf of the State Government. Managing these Community Service Obligations (CSOs) absorbs a substantial resource.

The following CSOs are currently undertaken:

- **Rebates:** Up to five different rebates are available to eligible customers (such as pensioners, veterans, seniors and persons with a Department of Social Security issued health card). Rebates can be claimed for the daily supply charge, account establishment fee and part of the meter-testing fee. Customers with dependent children listed on health care cards are able to claim a rebate for part of the energy charge on their bills.
- **Community Service Concession:** Eligible charitable and voluntary organisations can elect to take supply on the concessional C1 and D1 tariffs instead of general supply tariffs.
- **The Power Price Equity Scheme:** This scheme was approved by the Government in 2004 to ensure that concession cardholders, who are permanent residents in caravan parks, receive similar benefits to those in standard dwellings.
- **Hardship Utility Grant Scheme:** Synergy administers and facilitates the operation of the Hardship Utility Grant Scheme (and the related Hardship Efficiency Programme), a government initiative to assist customers in financial hardship as a result of the current economic climate and increasing energy charges.

Accounting and Dividend Policy

Accounting Standards

Synergy's accounting policies are consistent with Corporations Law requirements as specified in Schedule 4 of the Act. Financial statements adopt the historic cost convention

and reflect the accrual basis of accounting. Consistent with the State Budget, the projected financial outlook is in accordance with the Australian International Financial Reporting Standards (AIFRS).

Dividend Policy

Dividends are calculated annually on the basis of 75% of retained earnings, declared in July of each year and paid in December of the same year. Synergy is evaluating the sustainability of the Dividend Policy.

Efficiency Dividend

As announced by the Government on 19 May 2011, Synergy will be enacting a series of savings initiatives designed to meet a 5% efficiency dividend between 2011-12 to 2014-15. The savings targeted in each year are displayed below.

Synergy is still formulating its plan to achieve the 5% efficiency dividend.

An implementation plan detailing where exact savings will be made will be provided to the Minister and Treasurer by 30 June 2011. A progress report will then be provided by 10 October, with this information used for the Government's 2011-12 Mid Year Review (MYR).

The exact tax and dividend implications resulting for the above reductions in expenditure will be modelled between now and the October progress report. The efficiency dividend is a targeted 5% reduction in discretionary operating expenditure.

A targeted efficiency dividend of 5% of discretionary operating expenditure amounting to \$4,510,000 is not applied to the financial estimates in this Statement of Corporate Intent.

APPENDIX ONE

KPI Definitions

Contact Centre Effectiveness	
Total Number of Calls Received	The aggregate number of calls made to the Synergy call centre during the financial year.
% of Calls not answered within 30 seconds from when a customer is connected to a complaint/inquiry line	A measure of the Grade of Service experienced by customers who call the Synergy Contact Centre. Measures the proportion of calls not serviced within 30 seconds of connection.
Average waiting time before a call is answered	The length of time an average caller to the Contact Centre must wait before being answered by an operator.
% calls abandoned	A measure of the number of callers who abandon their call before speaking to an operator. Please note that due to measurement difficulties, these figures include customers who receive an automated fault message and are satisfied, but do not speak to an operator.
Customer Service	
Number of disputes involving the Energy Ombudsman	The number of customers who choose to contact the Energy Ombudsman to resolve a dispute involving Synergy.

Product Development	
Accredited Renewable Customers	Accredited renewable customers are those customers that purchase Synergy accredited renewable energy in addition to their usual energy tariff. Accredited renewable energy is GreenPower accredited and generated from a renewable energy source from the sun, the wind, water or waste.
Smart Power Customers	SmartPower customers are those residential customers who are on the SM1 time-of-use tariff and have a SmartPower meter.