



Notice

6 April 2022

Effectiveness of Synergy's regulatory scheme 2018 to 2020

Publication of report

The Economic Regulation Authority has published its [review](#) of the effectiveness of Synergy's regulatory scheme for 2018 to 2020.

The Electricity Generation and Retail Corporation regulatory scheme was created when the two state-owned entities Synergy and Verve Energy merged in 2014 and intends to ensure that Synergy's generation and retail arms are operated separately to facilitate competition.

As in previous reviews, the ERA has concluded that the scheme is not effective. This review focused on the effectiveness of the "standard product" regime and the effects of a temporary reduction in the maximum spread in 2020 that constrained the prices Synergy may set for standard products, as required by the scheme.

Standard products are the contracts for wholesale energy Synergy must make available for other retailers and generators to buy and sell. Retailers use these contracts to lock in future energy prices, guaranteeing a price and a quantity for supplying to their business customers.

In the review, the ERA considered whether the regulated maximum difference (maximum spread) between the buy and sell prices of standard products allowed Synergy a reasonable chance of making a profit.

Feedback received during the review was that the scheme was essential to the ongoing involvement of private market participants in the Western Australian energy market, but that aspects of the regulations allowed the scheme to operate contrary to its intent.

To improve the operation of the scheme, the ERA recommends that the maximum spread be reduced from 20 per cent to 15 per cent in July 2022, and to 10 per cent in July 2023. The phased transition would provide Synergy time to improve its pricing method while still allowing Synergy a reasonable profit on transactions.

Background

The ERA reports to the Minister for Energy every two years on how effectively the scheme achieves its intended purpose.

On 31 August 2021, the ERA published a discussion paper for stakeholder consultation. The ERA took stakeholders' views into account when preparing the final report.

The review of Synergy's regulatory scheme was tabled in Parliament on 5 April 2022.



Notice

Further information

General enquiries

Sara O'Connor

Ph: 08 6557 7935 | Mob: 0414 452 305

info@erawa.com.au

Media enquiries

Natalie Warnock

Ph: 08 6557 7933 | Mob: 0428 859 826

media@erawa.com.au