



Notice

29 November 2017

Effectiveness of the regulatory scheme for Synergy

The Economic Regulation Authority (ERA) has published its [2016 review of the Synergy regulatory scheme](#).

The Western Australian Government established the scheme to limit Synergy's market power after it merged Verve Energy and Synergy on 1 January 2014.

Under the requirements of the scheme, Synergy must ring-fence its generation and retail businesses. It also should not discriminate between its retail business and competitors when offering wholesale electricity supplies.

The scheme specifies that Synergy should offer standard wholesale contracts (standard products) to buy and to sell energy, so that other market participants can lock in future prices.

These requirements are subject to regular compliance monitoring by the Auditor General and the ERA is responsible for assessing the effectiveness of the scheme each year.

The ERA recommends changes to the regulations to encourage more competition in the wholesale electricity market through price discounting, product innovation and improving opportunities for contracting. This will ensure only efficient costs pass through to consumers.

The ERA recommends reducing the spread between the sell and buy prices of standard contracts, from 20 per cent to 10 per cent. Since the last review of the scheme, Synergy has applied the same method for calculating standard product prices to other key contracts. As Synergy must not discriminate between retailers, increasing the pricing discipline on standard products will flow through to all wholesale electricity contracts.

There was just one standard product transaction over the review period. The report finds that retailers consider the standard product specifications are too rigid and some of the contract terms and conditions are onerous. The report recommends that Synergy should review and amend its specifications to encourage more trading in standard products.

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