Notice

30 March 2020

Synergy

2019 performance audit

The Economic Regulation Authority has published the 2019 performance audit report for Electricity Generation and Retail Corporation's (trading as Synergy) electricity retail licence ERL1.

Synergy is the largest electricity retailer in Western Australia. As at 30 June 2019, it supplied a total of 1.1 million small and large use customers through the South West Interconnected System.

Synergy is owned by the Western Australian government.

The ERA's decision

The ERA considers that Synergy has achieved an adequate level of compliance with its licence.

The ERA has decided to maintain the audit period at 24 months. The next audit will cover the period 1 July 2019 to 30 June 2021, with the report due by 30 September 2021.

Background to the ERA's decision

Areas of focus

The ERA selected three areas of focus for the audit: root-cause analysis, annual performance data, and payment difficulties and financial hardship.

The ERA requested an update on Synergy's root-cause analysis of the causes of non-compliances found in the 2017 audit, including whether the seven recommendations made by the independent consultant, Sustainability, effectively addressed the non-compliances identified in the 2017 audit. Synergy has established a multi-business unit project, Project Spark, to implement the recommendations.

The ERA requested Synergy to instruct the auditor to assess the effectiveness of the processes and systems used to prepare Synergy's annual performance data for the ERA. As part of the assessment, the auditor had to confirm that the processes and procedures used by Synergy to collect performance data resulted in accurate data which met the performance indicators in the ERA's electricity retail licence performance reporting handbook. The auditor was asked to pay particular attention to the performance indicators for energy bill debt and hardship programs that were introduced over the past two years.

The auditor was required to undertake a detailed assessment of the effectiveness of Synergy's processes to assist customers experiencing payment difficulties and financial hardship.

Audit ratings

The auditor assessed 264 licence obligations applicable to Synergy's licence and found:

- 158 were rated A1 (adequate controls – no improvement required, compliant).
- 66 were rated A/NR (adequate controls – no improvement required, not rated – no activity took place during the audit period).
- 18 were rated B2 (generally adequate controls – improvement needed, non-compliant – minor effect on customers or third parties).[1]
- 20 were rated B3 (generally adequate controls –improvement needed, non-compliant – moderate effect on customers or third parties).
- Two were rated NP/NR (not performed – a controls rating was not required, not rated – no activity took place during the audit period).

The auditor found 38 non-compliances. Seven of these related to payment difficulties and financial hardship, one of the areas of focus:

- Synergy failed to make an assessment or complete the assessment on whether a customer was experiencing payment difficulties or financial hardship within the required timeframe, for 76 customers.
- Synergy failed to grant 50 customers who were experiencing payment problems a temporary suspension of actions.
- Synergy failed to offer 13 residential customers who were assessed as experiencing financial hardship an alternative payment arrangement.
- Synergy agreed to an instalment plan with three customers but failed to create the plan on the customer's account.
- Synergy did not appropriately consider information about a customer's payment capacity or consumption history for 169 alternative payment arrangements.
- Synergy did not provide the required information within the required timeframe for 11,522 instalment plans.
- Synergy did not provide 62 customers who were experiencing financial hardship with the required information.

The remaining 31 non-compliances were:

- Two non-compliances were due to Synergy failing to take an action in the prescribed timeframe.
- Three non-compliances related to entering into a contract with a customer.
- Three non-compliances were due to Synergy failing to provide Western Power with information or notification in the prescribed timeframe.
- Two non-compliances related to the issuing of bills.

[1] Obligation 229 was rated B2. This non-compliance was due to Synergy arranging the disconnection of 42 customers after the customer had agreed to an instalment plan or where the customer did not receive the reminder notice or disconnection warning because it was sent to the wrong address. The ERA considers that this obligation should have been given a rating of B3, because this non-compliance was likely to have had a moderate impact on customers.

- Four non-compliances were due to incorrect or missing information on bills.
- One non-compliance was due to Synergy failing to provide historical debt information or issuing the notification incorrectly.
- Two non-compliances were due to Synergy failing to administer fees, charges and refunds correctly.
- One non-compliance was caused by Synergy not providing the correct declaration to customers when obtaining their verifiable consent.
- One non-compliance was due to Synergy failing to retrospectively waive the late payment fee for customers who were assessed as experiencing financial hardship.[2]
- Two non-compliances were due to Synergy incorrectly billing a customer after the customer had vacated the supply address.
- One non-compliance was caused by Synergy attempting to recover an outstanding debt from the wrong customer.
- Three non-compliances related to wrongful disconnection of customers.
- Two non-compliances were due to Synergy failing to reconnect customers or failing to arrange for reconnection with the prescribed timeframe.
- One non-compliance was due to Synergy failing to give customers the required information on concessions.
- Three non-compliances were due to Synergy failing to handle and process complaints correctly.

Audit recommendations

The auditor did not make any recommendations.

The auditor observed that for all except two non-compliances:[3]

> Synergy has developed appropriate action plans to address the non-compliances where breaches were identified and note the remedial actions implemented/proposed to be satisfactory.

The ERA's assessment of the audit findings

The 38 non-compliances found in the audit were all identified by Synergy in its 2017/18 and 2018/19 annual compliance reports to the ERA. The audit did not identify any additional non-compliances.

The auditor did not raise any concerns with the three areas of special focus: the root-cause analysis (Project Spark), annual performance data, and payment difficulties and financial hardship.

The audit found that for nine of the obligations that were non-compliant in both the 2017 and 2019 audits the number of instances of non-compliance was substantially higher in the 2019

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2 This obligation does not fall within the area of focus because the obligation does not come from Part 6 of the *Code of Conduct for the Supply of Electricity to Small Use Customers*, which deals with payment difficulties and financial hardship.

3 The observation did not apply to obligation 131 ("The Compliance Report submitted to the ERA for 2018/19 found no breaches under this obligation and note the remedial actions implemented to be satisfactory.") and obligation 295 ("Synergy has developed appropriate action plants to address the non-compliance where breaches were identified and note the remedial actions implemented to be satisfactory").

audit.[4] Some of these non-compliances concerned obligations intended to protect customers experiencing payment difficulties or financial hardship and therefore may have caused detriment to customers.

Synergy only started implementing the recommendations from Project Spark in August 2018, with phase 1 completed in June 2019. It is therefore difficult to determine whether Project Spark is delivering, and will continue to deliver, the desired improvements in compliance at this time.

The ERA considers it prudent to retain the next audit period at 24 months. By the time the 2021 audit is conducted the longer-term outcomes of Project Spark should be evident.

Further information

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4 Synergy attributed three of the increases to one-off system errors.