Supporting information

Frequently asked questions

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What benefits and savings can I expect from this CUA?

This CUA provides an efficient Pick and Buy system for small end-user sites and a simplified quote process for large end-user sites. This reduces the lead time required to purchase retail electricity services, and eliminates duplicated agency tendering and negotiation costs. In addition, agencies can purchase a wider range of incidental services using a simplified process.

Contestable sites (sites using more than 50 MWh per annum) currently on regulated tariffs may achieve savings when moving over to contracts. Contracted sites may achieve savings by selecting the lowest cost contractor that meets an agency’s needs, and pay bills within 14 days.

What is the area covered by the SWIS for which this CUA is mandatory?

The South West Interconnected System (SWIS) is the primary electricity grid in Western Australia, supplying the bulk of the South-West region. It extends from Albany in the South, to Kalgoorlie in the East and up to Kalbarri in the North.

A map of the SWIS (provided by Western Power on its website for customer information) is shown below:
What is the difference between small end-user and large end-user sites?

Small end-user sites use below 160 MWh per annum. Section 47 of the Electricity Industry Act 2004 defines the 160 MWh per annum threshold. Small end-user sites are protected by customer protection provisions as outlined in Part 3 of the Electricity Industry Act 2004. Synergy supplies electricity to small end-user sites based on regulated tariffs unless the customer chooses to go on a contract.

Sites using above 160 MWh per annum are referred to as large end-user sites and are not offered the same protection under the Act. Synergy is not obligated to supply them electricity based on regulated tariffs.

Where can I find Synergy regulated tariffs?

Rates for business organisations can be found on the Synergy website. Note that A1 residential tariffs are only applicable to residential homes, and not government sites. There are also restrictions on the type of tariffs that your site is eligible for.

Can a site remain on tariff if it offers better value?

Yes. Contestable sites (sites using over 50 MWh per annum) on regulated tariffs have the option of remaining on regulated tariffs (not part of this CUA) based on a ‘value for money’ decision. Agencies may decide to switch over to a contract for retail electricity if there are savings. Rates quoted from the CUA can be compared against the regulated Synergy tariffs or an agency's contracted rates to make an informed decision.

Can a customer site on contract move back onto tariff?

**Small end-user sites:** Under section 40 of the Electricity Industry (Customer Contract) Regulations 2005 (the “Customer Contract Regulations”), Synergy is required to offer supply of electricity on tariff under its Standard Form Contract to small use customers. Therefore, provided that the customer doesn’t owe Synergy a debt (or is not currently in a payment arrangement to repay a debt), Synergy is obliged to offer to supply applies irrespective of whether the customer has been on a negotiated contract with Synergy or another retailer.

**Large end-user sites:** Synergy’s tariffs are governed by the Energy Operators (Electricity Generation and Retail Corporation) (Charges) By Laws 2006 (the ‘Tariff By-Laws’), which set out Synergy’s tariffs for customers of all sizes. The Tariff By-Laws do not contain a statutory requirement to supply electricity to customers. While Synergy is required by statute to supply small use customers at tariff, and has tariffs for large use customers, it is not obliged to supply large use customers at those tariffs. Hence, it may not be possible for a large end-user site that enters into a contract to revert to regulated tariffs.

Will a common rate for multiple sites minimise electricity costs for an agency?

Contractors price the rates for each individual site based on its peak usage and load profile. Contractors can offer a common rate that applies across multiple sites if you can award these sites to a single contractor. However, this means that some sites may be subsidising the other sites. This option may or may not achieve cost savings as there have been instances where an agency would do better by awarding the lowest cost contractor for each of its sites individually. However, this decision must be balanced against administrative costs and agency considerations.

Will aggregation of purchases reduce retail electricity costs?

Unlikely, as rates are quoted based on the individual site’s usage profile. The contractor will generally assess the profile of electricity usage associated with a metered site before quoting. Sites with a flat profile will generally attract lower rates. More than half the electricity costs are impacted by the site’s usage profile and regulated charges (e.g. capacity costs, network costs) outside the control of the electricity retailer.
However, aggregation elevates an agency’s significance in terms of total business and may provide better leverage in negotiations with contractors. For contractors like Perth Energy, all sites taken together will be considered as a Combined Facility and this may minimise penalty risks of not meeting the minimum contracted electricity consumption.

**Should sites seek quotes individually or as an agency?**

It is an administrative decision for the agency whether their sites should individually seek quotes or to have a purchaser seek quotes for all the sites at the same time. Whichever way, a Finance Contract Manager is available to provide support. Agencies seeking quotes for several sites (particularly larger sites) may have better leverage in negotiating further benefits.

**What is the difference between Bundled and Unbundled Pricing?**

Bundled pricing is a simple pricing that includes the aggregated price of network, metering and other charges. Cost components are ‘on-peak’ and ‘off-peak’ rates with all other costs factored into these rates. This is with the exception of the Retail Service Fee component (sometimes referred to as the ‘supply charge’), which is charged separately. Contractors may factor into their pricing the risks associated with increases in the regulated cost components of electricity costs, such as the capacity costs managed by the Australian Energy Market Operator (AEMO) and network charges that are managed by Western Power. Bundled pricing is easier for contractors to manage and for customers to understand their electricity bills.

Unbundled pricing disaggregates the price into energy, network, capacity, and other charges separately. Contractors are generally unwilling to take on risks to provide a bundled rate for large sites due to the uncertainty of regulated network and other cost increases. Using an unbundled pricing proforma, contractors can pass through regulated cost components over which they have no control. In this manner, they can offer customers a more competitive rate based on the cost components that they have control over.

The trade-off between efficiency and risks differs between contractors. Hence, some contractors may offer only unbundled pricing where the annual site consumption exceeds the threshold stated in the contractor’s offer.

**Should I seek Bundled or Unbundled pricing?**

Small end-user sites between 50 and 160 MWh per annum will only be offered bundled pricing (unbundled pricing may cost more as contractors have to manage the customer’s complex bills). Large end-user sites above 2 GWh per annum will mostly be offered unbundled pricing to provide incentives to contractors to reduce risk premiums. There is a choice of pricing structure for sites between 160 MWh to 2 GWh per annum.

In general, a retailer has advised that if your site’s electricity usage is quite level, unbundled pricing would be beneficial. Conversely, if your site’s electricity usage is intermittent (e.g. stadium, theatres for live performance etc.), bundled pricing may be better.

Customers may consult the contractors or the **Contract Manager** for advice on which pricing structure would be most beneficial for their circumstances.

**How can I compare the quotes received?**

A price comparison calculator is available from the **Contract Manager**. Enter all the quoted component rates and any applicable site usage profile data and the calculator will provide an estimated annual cost for comparison. The Finance **Contract Manager** can provide further assistance if required.

For unbundled rate comparison, estimates for AEMO Capacity and Western Power Network charges may vary between contractors due to the different assumptions used. However, the figures entered into the comparison spreadsheet as ‘pass-through’ costs should be identical for all contractors, taking the most reasonable figure as a benchmark.

**Will signing a longer contract term offer better prices?**
Not necessarily. An optimum contract term is two years for small-end user sites on bundled pricing. The AEMO forecasts and publishes rates for capacity charges up to two years ahead and this provides certainty to contractors on the cost factors. Most contractors won’t offer a bundled rate for contracts exceeding two years unless there is a provision to pass through regulated cost increases. Alternatively, contractors may factor in a price premium after the second year to mitigate their risks.

Large end-user sites on unbundled pricing may still find competitive rates for contracts up to four years. A number of regulated cost components are ‘pass-through’ (rather than bundled) to minimise risks to the contractors. In addition, some contractors have longer term energy contracts that can provide them certainty of their energy costs when providing quotes to customers.

In summary, two-year contracts are recommended for all sites unless there are benefits for larger end-user sites to sign longer term contracts.

**Are electricity prices varied over the term of a customer contract?**

A standard price variation clause in the Head Agreement and Customer Contract governs the price variations. In summary, the standard provisions are:

- **Bundled Pricing** – prices are fixed for the first year and then varied annually by CPI.
- **Unbundled Pricing** – prices may be varied quarterly by CPI for components that are not ‘pass-through’ costs.

However, contractors may have negotiated variations and the details are available from the Finance Contract Manager.

**What makes up my electricity costs?**

Based on the CUA ELC 2012 unbundled pricing rates tendered for sampled sites, the following provide an estimate of what makes up the total electricity costs.

<table>
<thead>
<tr>
<th>Cost components</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy and retail</td>
<td>35%</td>
</tr>
<tr>
<td>Capacity and AEMO Charges</td>
<td>36%</td>
</tr>
<tr>
<td>Network, distribution and transmission losses</td>
<td>22%</td>
</tr>
<tr>
<td>REC’s</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

**What is a ‘Network Charge’?**

Western Power maintains the South West Interconnected System (SWIS) grid from which various customer sites draw electricity. The management and maintenance of this shared use grid for access arrangements has a cost. There is an annual review of Western Power tariffs for access arrangements and the Economic Regulation Authority (ERA) approves tariffs for cost recovery. This is the main component of ‘Network Charge’.

Users on bundled pricing will not have ‘network charges’ itemised separately in their invoices.

**What is a ‘Capacity Charge’?**

‘Capacity charge’ is commonly used to describe the cost of the Australian Energy Market Operator (AEMO) Individual Reserve Capacity Requirements to balance input into the electricity grid to match the power drawn from it during peak demand periods. ‘Standby generators’ is a key cost component necessary to produce more electricity to meet the
power surges during hot summer days to avoid blackouts. However, these standby generators and other reserve mechanisms incur costs and those sites responsible for the demand ‘peaks’ pay for it. The total cost is apportioned based on a site’s contribution to the demand peaks, and hence the existence of a capacity charge.

Users on bundled pricing will not have ‘capacity charges’ itemised separately in their invoices.

Why are there Renewable Energy cost components in Unbundled Pricing?

The renewable energy cost components (comprising Large-scale Renewable Energy Target and the Small-scale Renewable Energy Scheme) are implemented through the following legislation and regulations such as:

- **Renewable Energy (Electricity) Act 2000**
- **Renewable Energy (Electricity) (Large-scale Generation Shortfall Charge) Act 2000**
- **Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Act 2010**
- **Renewable Energy (Electricity) Regulations 2001**
- **Renewable Energy (Electricity) Amendment (Transitional Provision) Regulations 2010**

These schemes create a financial incentive for investment in renewable energy sources through the creation and sale of certificates.

How can an agency increase its use of Green Energy?

The retail electricity in the marketplace already includes a mandatory % of green energy that varies annually based on the Large-scale Renewable Energy Target and Small-scale Renewable Energy Scheme enacted by Federal legislation.

You may increase the % of green energy use at your site by:

(a) Purchasing Renewable Energy Certificates (RECs) from a contractor and then acquitting them;

(b) Request the contractor to supply additional green energy with a quoted rate per MWh; or

(c) Use the services of EMC Power if your site has suitable roofs for mounting solar panels and your annual consumption is within 160 MWh to 2 GWh. Any green electricity generated is sold to you at 9% off the regulated Synergy R3 tariff.

What is a Renewable Energy Buy-back Scheme (REBS)?

Sites owning their solar renewable energy systems have the potential to sell surplus electrical energy back onto the SWIS provided they meet the regulations governing energy buy-back schemes and where the retailer agrees. There are limits to the inverter capacity imposed by Western Power and some contractors offer buyback without limitations. Agencies may obtain further information from their contractors.

What is Demand Side Management?

Demand Side Management is a type of capacity held at a customer site connected to the SWIS; specifically, the capability of a customer site to reduce its consumption of electricity through the SWIS. This may involve substituting SWIS generated power during peak hours by using a generator, or cogeneration.

This capability needs to be demonstrated at the customer site and agreed by the Australian Energy Market Operator (AEMO) to be available by the next hot season, in accordance with the AEMO Market Rules. The customer gets paid for being ‘on-call’ to reduce demand when required.
All contractors can assist in the implementation of Demand Side Management Services. This includes providing customer education and securing capacity credits for the customer’s demand side management programmes.

Who reads the electricity meters?

Western Power reads electricity meters on behalf of all electricity retailers (contractors) and this is determined by legislation. The electricity retailer does the billing for your electricity usage and also coordinates with Western Power if there are issues. Agencies only need to deal with their contractors (not Western Power).

Who generates the electricity and who sells it?

Licensed ‘generators’ comprising private investors and a legacy government entity (Verve, now merged with Synergy) generates the electricity. Verve is the largest and generates over half the electricity requirements on the SWIS. Licensed electricity retailers have back-to-back contracts with generators to supply the required electricity for its customer base and retailers then bill the consumers based on the Western Power meter readings.

Are shortfall charges payable?

Some contractors bill a ‘shortfall charge’ if in any contract year, the total consumption is below the contracted minimum annual electricity consumption (normally set at 75%). Check with the contractor or Finance Contract Manager regarding the offered terms.

There are also differences between the various contractor offers. Perth Energy allows for shortfalls to be measured against a ‘combined facility’ consumption which is the combined total of the electricity consumption for each of the sites that comprise the combined facility. The shortfall quantity is the difference between the combined facility consumption for that relevant contract year and the combined facility minimum annual electricity consumption.

Are excess electricity consumption charges payable?

Some contractors charge a premium for excess electricity consumption, which is electricity consumed in excess of the contracted maximum annual electricity consumption in a contract year. This is particularly true for contracts based on Contracted Maximum Demand (CMD) which is necessary to safeguard the network capacity. When the CMD is exceeded, higher Western Power network charges are payable and some retailers charge excess usage at a higher cost. Check with the contractor or the Contract Manager if you are unfamiliar with the terms offered.

Why is insurance required for the EMC Power offer?

The EMC Power offer is unique as it involves the installation of 30 KW solar panels onsite to generate electricity – subject to a site feasibility assessment. No capital outlay is required by the customer and EMC Power retains ownership of the solar panel assets.

Under the Head Agreement, agencies shall ensure that property insurance covering EMC Power assets is taken out and maintained, on and from the date on which the equipment is installed at the agency’s site. This insurance policy must be sufficient to cover theft or any damage, whether intentional or unintentional, to the equipment, for the full reinstatement value.

Unless agreed otherwise, the insurance must be affected in the joint names of the parties or EMC Power must be endorsed on the policy in relation to the installed equipment. Options for insurance:

(a) RiskCover: Agencies should incorporate the values of solar panels within their annual property declaration for each site to RiskCover. It would also be helpful if the number of units and the overall value across all sites could be provided. The addition of solar panels may / may not attract additional costs and is dependent on the individual agency’s risk profile.
Contact: Jonathan Howell, A/Client Services Manager, RiskCover, Tel. 9264 3454, email Jonathan.Howell@icwa.wa.gov.au.

(b) EMC Power: There is also the option to negotiate with EMC Power to arrange its own insurance and include the costs in its quote to you.

Is my site required to keep records on planned and unplanned maintenance of plant or equipment?

Yes, particularly for facility managers. Facility managers need to be familiar with the obligations of an electricity user under the Electricity Transmission Regulations 1996 and Electricity Distribution Regulations 1997.

Clause 31 ‘Operation, maintenance and extension planning’ of the Electricity Transmission Regulations 1996 requires an electricity user to, besides other things, report on or before 30 September each year a maintenance schedule in respect of the plant and equipment connected at each of its connections for the following financial year. Clause 33 ‘Maintenance’ of the Electricity Distribution Regulations 1997 requires an electricity user to keep records on planned and unplanned maintenance carried out in respect of plant or equipment connected at each of its distribution connections which plant or equipment may impact on the quality of electricity supply through the electricity distribution network or the electricity transmission network.

What is a smart meter?

A smart meter is different from other meters, including existing digital meters, as it sends information back to Western Power electronically, rather than relying on someone to physically read the meter. It also measures the amount of electricity used each 30 minute period.

Like existing digital meters, a smart meter measures how much electricity you are using and, if you have solar panels, how much electricity is being fed back to the Western Power network.

Through its communication capability, a smart meter allows information on energy use to be shared with you on a regular basis. This can help you to better manage how much electricity you use and reduce your energy bills.

Do I need to approach Finance to buy from this CUA?

No. The procedure has been made simple for agencies to contract on their own using the prescribed processes detailed in this buyers guide, available calculators and e-Decision Aids. You don’t need to negotiate or sign any additional terms and conditions. Note that the Finance Contract Manager is always available to assist you as needed.