

Question On Notice No. 7537 asked in the Legislative Assembly on 21 March 2012 by Mr W.J. Johnston

Question Directed to the: **Minister representing the Minister for Energy**

Minister responding: **Hon P.C. Collier**

Parliament: **38 Session: 1**

Question

I refer to the Minister's announcement on 2 April 2009 that the new Synergy billing system would save Synergy \$75 million over five years, and I ask:

- (a) how did the Minister calculate the figure of \$75 million, what was the detail of each savings item adding up to \$75 million, and in what years were these savings line items to be achieved;
- (b) what was the original allocation to this project;
- (c) what is the current budget for this project;
- (d) how much has been spent on this project to date;
- (e) how much still remains to be spent on this project; and
- (f) can the Minister quantify the savings from this project to date, and what are the details of these savings?



Answered on 2 May 2012

a) In December 2007, Synergy presented to the previous government a business transformation business case which sought approval to replace their billing system. At the time, Synergy indicated it would achieve savings of \$163 million over ten years. The plan presented to the then government included a reduction in full time employees of 100 to 110. Synergy indicated it would also achieve savings by organisational, technological and process improvements. Synergy received section 68 approval from the then Government to proceed.

In March 2009, I was briefed by the Managing Director and Chairman of Synergy about their business transformation program I expressed concern about aspects of the program and Synergy presented alternative options it could pursue, which foreshadowed savings of \$75 million per annum. The savings were not itemised, but were related to improved efficiencies associated with organisational, technological and process improvements and reduced transactional costs through increased self service activities by customers.

b) \$38.5 million

c) Synergy considers the billing system implementation project to be complete, and is now administering the system as part of normal business activities.

d) \$93.4M as at March 2012. It is noted that expenditure would have occurred each year on Synergy's former billing system had it not been replaced, to accommodate market and policy changes.

e) Synergy will continue to invest in its billing system as part of business as usual activities on an ongoing basis.

f) Synergy's business transformation project envisaged savings in operating costs when compared to the operating costs of the systems used in 2007 within the environment and market conditions of that time. These savings are not able to be substantiated as Synergy is not expending resources in tracking what the cost of operating the previous system would be in the current environment and market conditions, where since 2007 significant change has occurred in the industry, including tariff increases, renewable energy incentive schemes and various environmental regulations which have resulted in increased activity for Synergy in terms of system changes and work volumes.