

INQUIRY INTO THE EFFICIENCY OF SYNERGY'S COSTS AND ELECTRICITY TARIFFS

TERMS OF REFERENCE

I, C. Christian Porter, Treasurer, pursuant to section 32(1) of the *Economic Regulation Authority Act 2003*, request that the Economic Regulation Authority (the Authority) undertake an inquiry into the operating efficiency of the Electricity Retail Corporation (Synergy) and the electricity tariffs regulated under the *Energy Operations (Electricity Retail Corporation) (Charges) By-Laws 2006* (the By-Laws).

The Authority is to:

1. consider and develop findings on the:
 - a) efficiency of Synergy's operating and capital expenditure;
 - b) efficiency of Synergy's procurement of wholesale electricity; and
 - c) efficiency of Synergy's procurement of Renewable Energy Certificates;
2. determine the efficient cost-reflective level for each regulated tariff under the By-Laws over the period 2012/13 to 2015/16, including:
 - a) developing recommendations regarding the number of regulated electricity tariffs, and whether any tariffs should be amalgamated;
 - b) taking into account the competitive markets within which Synergy operates and the current operating subsidy arrangements when considering the cost-reflective level of each tariff;
3. develop a methodology to regularly re-determine the efficient cost-reflective level for each tariff and recommend a period for the review of the efficient cost-reflective level of tariffs;
4. consider whether regulated tariffs for contestable large business consumers should be phased out, with reference to the competitive nature of this segment of the electricity market; and
5. if regulated, large contestable tariffs are to be phased out, provide recommendations on which tariffs should be phased out and over what timeframe.

GENERAL

The Authority is to:

1. prepare and release an Issues Paper as soon as possible after receiving the reference. The paper is to facilitate public consultation on the basis of invitations for written submissions from industry, government and all other stakeholder groups, including the general community;
2. prepare and release a draft report for public consultation; and
3. complete a Final Report on the findings by no later than 31 December 2011.

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