

**The Electricity Generation and Retail Corporation, trading as
Synergy**

Internal Synergy Wholesale Arrangement (ISWA)

for the period 1 July 2017 to 30 June 2020

between

Synergy Wholesale Business Unit and

Synergy Retail Business Unit

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An arrangement made in accordance with regulation 11 of the Regulations as the Foundation Transfer Price Mechanism to apply to the operations of the WBU and the RBU.

1 Coverage

Customer coverage

- 1.1 The arrangements contained in this ISWA apply to each contract or load comprising the Initial Portfolio.
- 1.2 The arrangements contained in this ISWA do not apply to a Contestable Contract which is varied by agreement on or after the Merger Time.

2 Volume restrictions

- 2.1 There are:

- 2.1.1 no minimum energy requirements; or
- 2.1.2 no maximum energy restrictions,

in relation to the arrangements as between the Business Units under this ISWA in connection with the supply of electrical energy under Applicable Contracts.

3 Term of Arrangement

Duration

- 3.1 Subject to clause 3.2 and 3.3, the arrangements set out in this ISWA apply to the Trading Interval which commences at 0:00hrs and ends at 0:30hrs on 1 July 2017 and ceases to have any force and effect on the expiration of the Trading Interval which commences at 23:30hrs and ends at 0:00hrs on 1 July 2020 (the **Term**).
- 3.2 The arrangements set out in this ISWA in Schedule 2 related to determining and notifying the RBU of the Energy Price for the first Financial Year in the Term are effective from 31 March 2017.

Effect of expiration

- 3.3 Expiration of the ISWA does not affect a Business Unit's obligation to make payments:
 - 3.3.1 as required to conform to the applicable requirements of any STP Guideline;
 - 3.3.2 accrued before expiry; or
 - 3.3.3 which relate to periods before expiry.

3.4 Variation

This ISWA may not be varied, revised or replaced except:

3.4.1 in accordance with regulation 11(3) of the Regulations;

3.4.2 in accordance with regulation 12(1) of the Regulations; or

3.4.3 in accordance with regulation 12(2) of the Regulations.

3.5 Subject to clause 3.6, at least nine months prior to the expiry of the Term, the Business Units must meet in good faith with a view to negotiating and agreeing a replacement Foundation Transfer Pricing Mechanism in accordance with regulations 11(3)(a) and 11(5) of the Regulations.

3.6 The replacement Foundation Transfer Pricing Mechanism under clause 3.5 must be provided to the Minister at least six months before expiry of the Term.

3.7 Any varied, revised or replaced Foundation Transfer Pricing Mechanism agreed between the Business Units must be endorsed by the Board and submitted to the Minister in accordance with regulations 11(3), 12(1) or 12(2) of the Regulations, as applicable, before having any force or effect.

4 Pricing

Pricing principles

4.1 The Business Units acknowledge that the pricing mechanism for the wholesale supply of electrical energy under this ISWA set out in Schedule 2 constitutes the Foundation Transfer Price for the purposes of regulation 9(2) of the Regulations.

5 Energy Forecasting and Nominations

5.1 The RBU must provide a Daily ISWA Load Forecast to the WBU for each Trading Interval in each Trading Day during the Term by the time prescribed in the Nominations Procedure.

5.2 Each Daily ISWA Load Forecast must:

5.2.1 be made in a written or electronic form agreed between the Business Units as specified in the Nominations Procedure; and

5.2.2 meet the requirements of clauses 5.1(3) and 5.1(4) of the STP Guideline.

5.3 Unless otherwise provided in the Nominations Procedure, the RBU may provide to the WBU, one or more revisions to a Daily ISWA Load Forecast in respect of any Trading Day, in accordance with and by the time required in the Nominations Procedure.

- 5.4 If for any reason, a Daily ISWA Load Forecast for a Trading Day or any part of it is not received by the WBU by the time required in accordance with the Nominations Procedure, the quantity of electricity in the most recent Daily ISWA Load Forecast duly received by the WBU will apply.
- 5.5 The RBU must, in accordance with the Nominations Procedure, make nominations (expressed in MWh)(Loss Factor adjusted at the Reference Node) to WBU of the quantity of energy to be made available and sold by WBU to RBU for each Trading Interval of that Trading Day (**Trading Interval Nomination**).
- 5.6 Subject to clause 5.7, the Trading Interval Nomination for each Trading Day must be equal to the total of the electricity specified in the applicable Daily ISWA Load Forecast for that Trading Day.
- 5.7 If for any reason, a Trading Interval Nomination for a Trading Interval is not received by the WBU by the time required in accordance with the Nominations Procedure, the quantity of electricity to be made available and sold by WBU to RBU for that Trading Interval in the most recent Daily ISWA Load Forecast for that Trading Interval duly received by the WBU will apply.

6 Energy Supply and Charge

Supply Obligation

- 6.1 WBU must:
- 6.1.1 subject to clause 6.1.2, for each Trading Interval during the Term, arrange, including by making any relevant Bilateral Submissions, for quantities of electrical energy equal to the ISWA Nominated Quantity for that Trading Interval to be made available for the RBU, in accordance with the conditions set out in this ISWA; and
 - 6.1.2 only supply electricity to RBU for the purposes of retail supply for Applicable Contracts in accordance with a Daily ISWA Load Forecast, as required by clause 2.2(d) of the STP Guideline.

Obligation to pay Energy Charge

- 6.2 Each Trading Month during the Term, the RBU must pay to the WBU an **Energy Charge**, being the sum of the Daily Energy Charge for each Trading Day of the previous Trading Month.

Calculation of Energy Charge

6.3 The Daily Energy Charge for a Trading Day is calculated in accordance with the following formula:

$$\left(\sum_{t=1}^{t=n} PINQ_t \times PEP_t \right) + \left(\sum_{t=1}^{t=n} OPINQ_t \times OPEP_t \right)$$

Where

n is the total number of On Peak Trading Intervals or Off Peak Trading Intervals (as applicable) in the relevant Trading Day

OPEP_t is the Off Peak Energy Price applicable to Off Peak Trading Interval *t* as determined under clause 6.4

OPINQ_t is the ISWA Nominated Quantity for Off Peak Trading Interval *t*

PEP_t is the On Peak Energy Price applicable to On Peak Trading Interval *t* as determined under clause 6.4

PINQ_t is the ISWA Nominated Quantity for On Peak Trading Interval *t*

t is the number of the relevant On Peak Trading Intervals or Off Peak Trading Intervals (as applicable), with Trading Interval 1 being the first Trading Interval of the relevant Trading Day

Energy Price

6.4 The Energy Price for each Trading Interval in a Trading Day is to be determined by applying the Energy Forward Curve as set out in Schedule 2. The Energy Price comprises of an On Peak Price and an Off Peak Price.

6.5 The Energy Price is, for the purposes of regulation 9(3) of the Regulations, the “transfer price” for the wholesale supply of electricity under this ISWA and is also the “foundation transfer price”.

7 Procedures

Business Units must develop procedures

7.1 The Business Units must develop, document and maintain:

7.1.1 the Nominations Procedure; and

7.1.2 any other procedure that the WBU and RBU consider is necessary to support the administration, operation or compliance with this ISWA.

Events constituting Change in Circumstances

- 7.2 **Change in Circumstances** means any event or circumstance or combination of events or circumstances which occurs at any time during the Term being:
- 7.2.1 a change in or repeal in part or in whole to an existing Law, or the imposition of a new Law;
 - 7.2.2 a change to the structure of the electricity market or Synergy;
 - 7.2.3 any change in the interpretation of any Law resulting from a decision of a Governmental Agency;
 - 7.2.4 a change to the price of fuel or the cost for fuel of WBU (whether directly or indirectly, including, without limitation, changes to the costs incurred in the storage, transport or delivery of fuel) that has not already been included within the Foundation Transfer Price specified under this ISWA; or
 - 7.2.5 a Wholesale Force Majeure Event,
that has a material adverse or Unexpected net impact for any Business Unit in respect of:
 - 7.2.6 any term or condition of this ISWA; or
 - 7.2.7 the practical or legal compliance of any arrangements set out in this ISWA.

Meeting of parties

- 7.3 If there is an event which a Business Unit considers is, or is likely to be, a Change in Circumstances, that Business Unit must:
- 7.3.1 notify the other Business Unit of such event; and
 - 7.3.2 convene a meeting of the Business Units,
to discuss the net impact of the event on this ISWA and the Business Units.
- 7.4 The financial consequences of a Wholesale Force Majeure Event are to be dealt with by the Business Units as a cost allocation.
- 7.5 The Business Units must meet to consider, negotiate and agree the allocation, as between the Business Units, of the costs to the Business Units arising from the financial consequences of the Change in Circumstances.
- 7.6 If the Business Units cannot agree the allocation within 30 days, the Business Units will refer the matter to the Chief Financial Officer who will decide on the allocation.

8 ISWA

- 8.1 The Business Units are to do all things reasonably necessary under this document to facilitate operation of this ISWA.

Schedule 1

Definitions

In this ISWA the following definitions apply:

Act means the *Electricity Corporations Act 2005* (WA).

Amendment Act means the *Electricity Corporations Amendment Act 2013* (WA).

Applicable Contract at any point in time means;

- (a) each contract and each load comprising the Initial Portfolio other than each contract which has been excluded under clause 1.2; and
- (b) without double-counting contracts or loads falling within paragraph (a), each contract and each load at any time which applies a tariff under the By-Laws.

Bilateral Submission has the meaning given to that term in the Market Rules.

Board means the board of directors of the EGRC.

Business Day means a day that is not a Saturday, Sunday or a public holiday in Western Australia.

Business Unit means each of the RBU and WBU.

By-Laws means the *Energy Operators (Electricity Generation and Retail Corporation) (Charges) By-Laws 2006* (WA).

Change in Circumstances has the meaning given in clause 7.2.

Contestable Contract means:

- (a) each contract for the retail supply of electricity entered into between EGRC and a Contestable Customer from time to time while it continues to have effect to bind the EGRC to supply electrical energy to the Contestable Customer; and
- (b) includes each of the contracts referred to in paragraphs (a), (b) and (c) of the definition of Initial Portfolio while they continue to have effect to bind the EGRC to supply electrical energy to the Contestable Customer; but
- (c) does not include any contract which applies a tariff under the By-Laws.

Contestable Customer means a customer other than a Non-contestable Customer.

Daily Energy Charge has the meaning given in clause 6.3.

Daily ISWA Load Forecast means in respect of a Trading Day, a report or other document specifying the quantity of electrical energy (expressed as MWh)(Loss Factor adjusted at the Reference Node)

forecast to be sold by the RBU in respect of Applicable Contracts for each Trading Interval of that Trading Day.

Energy Charge has the meaning given in clause 6.2.

Energy Forward Curve means the EGRC's forecast of the future market energy price for each hour in each Trading Day in the period covered by the curve used by EGRC for the standard products created under the *Electricity (Standard Products) Wholesale Arrangements 2014* approved by the Minister for Energy under section 26(1) of the Regulations.

Energy Price has the meaning in clause 6.4.

EGRC means Electricity Generation and Retail Corporation established under section 3(1) of the Act.

Financial Year means a 12 month period commencing 1 July (with the first Financial Year in the Term commencing 1 July 2017).

Foundation Transfer Price has the meaning given to that term in regulation 3 of the Regulations.

Foundation Transfer Price Mechanism has the meaning given to that term in regulation 3 of the Regulations.

Government Agency means any government, or governmental, semi-governmental, administrative, fiscal or judicial body, responsible Minister, department, office commission, delegate, authority, instrumentality, tribunal, board, agency whether State, Federal, local or otherwise.

Initial Portfolio means:

- (a) each Contestable Contract executed by all parties to it before the Merger Time, whether or not any supply under such contract is made before that date;
- (b) each offer of a Contestable Contract made by the former Retail Corporation before the Merger Time, but which is accepted by all other counterparties to it at any time before 1 April 2014 on the same terms as the offer;
- (c) each Contestable Contract made pursuant to the exercise of an option that was granted by the former Retail Corporation to a customer prior to the Merger Time to enter into a Contestable Contract (or supply such load), exercisable by that customer at any time during the term of that option;
- (d) each contract which applies a tariff under the By-Laws; and
- (e) each load in respect of a Non-contestable Customer or a customer of the EGRC which does not have a written or prescribed contract.

ISWA means this document.

ISWA Nominated Quantity means, for a Trading Interval, the quantity of electrical energy (expressed in MWh) (Loss Factor adjusted at the Reference Node) specified in the Trading Interval Nomination made under this ISWA for that Trading Interval.

Law includes any requirement of any statute, regulation, code, proclamation, ordinance, by-law, or authorisation or requirement of any Government Agency present or future and whether State, Federal, local or otherwise, and includes the Market Rules.

Loss Factor adjusted has the meaning given to that term in the Market Rules.

Market Rules means the Wholesale Electricity Market Rules (as amended from time to time) made under *the Electricity Industry (Wholesale Electricity Market) Regulations 2004* (WA).

Merger Time has the meaning given to that term in section 194 of the Amendment Act.

Minister means the minister responsible for administering the Act from time to time.

Nominations Procedure means a Procedure agreed between the RBU and the WBU from time to time for the purposes of clause 5.

Non-contestable Customer means a person who is a ‘prescribed customer’, as that term is defined in section 54(1) of the Act.

On Peak Price means the Energy Price for an On Peak Trading Interval

On Peak Trading Interval is any Trading Interval occurring between 08:00hrs and 22:00hrs on any day that is not a Saturday or a Sunday.

Off Peak Price means the Energy Price for an Off Peak Trading Interval.

Off Peak Trading Interval is any Trading Interval that is not an On Peak Trading Interval.

Reference Node has the meaning given to that term in the Market Rules.

Regulations means the *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013* (WA).

RBU has the meaning given to “retail business unit” in regulation 3 of the Regulations.

Retail Corporation means the body established under section 4(1)(c) of the Act, immediately prior to the commencement of section 6 of the Amendment Act.

STP Guideline means the Segregation and Transfer Pricing Guideline established by the Minister under regulation 18 of the Regulations.

Term has the meaning given in clause 3.1, as may be extended for the purposes of any revised, varied or replaced Foundation Transfer Price Mechanism.

Trading Day has the meaning given to that term in the Market Rules.

Trading Interval has the meaning given to that term in the Market Rules.

Trading Interval Nomination has the meaning given in clause 5.5.

Trading Month has the meaning given to that term in the Market Rules.

Unexpected means a matter, thing or consequence that was not reasonably in the contemplation of a Business Unit as at the date of this document.

Wholesale Arrangements has the meaning given in regulation 3 of the Regulations.

Wholesale Force Majeure Event means an event or circumstance which has the effect of reducing the electricity able to be supplied, or made available, by the WBU to the RBU, including from generation facilities owned or operated by the EGRC or pursuant to agreements with third parties.

WBU has the meaning given to “wholesale business unit” in regulation 3 of the Regulations.

Interpretation

In this ISWA, unless the context otherwise requires:

- Headings or subheadings are inserted for guidance only and do not govern the meaning or construction of any provision of this ISWA.
- A reference to any agreement or document is to that agreement or document as amended, novated, supplemented or replaced from time to time.
- Words expressed in the singular include the plural and vice versa.
- Words expressed in one gender include the other gender.
- A “person” includes a company, partnership, firm, joint venture, association, authority, corporation or other body corporate.
- References to parts, clauses, parties, schedules and annexures are references to parts and clauses of and parties, schedules and annexures to this ISWA.
- The expression “this ISWA” includes the agreement, arrangement, understanding or transaction recorded in this document, but does not include a procedure.
- A reference to a party to this ISWA includes that party’s successors and permitted assigns and, in the case of a natural person, also includes that person’s personal representatives and administrators.

- A reference to anything or any amount is a reference to the whole and each part of it. A reference to a group of persons is a reference to all of them collectively, to 2 or more of them collectively and to each of them individually.
- References to time are to time in Perth, Western Australia, being Coordinated Universal Time (UTC) + 8:00 hours.
- Subject to the paragraph immediately below, where a day, which is not a Business Day, is specified by or on which a thing must be done, that thing that must be done by or on the next succeeding Business Day.
- Anything specified to be done on a Trading Day must be done on that day, whether or not it is a Business Day.
- No rule of construction will apply to the disadvantage of a party because that party was responsible for drafting this ISWA or any of the provisions of this document.
- A reference to any Law contained in this ISWA is deemed to include any amendment, re-enactment or consolidation of the Law.
- A reference to “dollars” or “\$” is a reference to the currency of Australia.
- The schedules and attachments form part of this ISWA.
- Procedures do not form a part of this ISWA.
- Unless otherwise specified, terms defined in the Market Rules have the same meaning when used in this ISWA.

Payments

In this ISWA, a reference to a payment by or a credit to a Business Unit or a reference to the imposition of a charge, cost, fee or liability that is to be satisfied by a Business Unit is to be read as an accounting transfer or a cost allocation between Business Units.

Schedule 2

Overview and application of Energy Forward Curve

The Energy Price for the Initial Portfolio comprises of an On Peak Price and an Off Peak Price.

WBU will determine the Energy Price for each month in the Term or remainder of the Term (as applicable), and notify RBU of the Energy Price for each month, at least one Business Day before the start of each Quarter. For example, WBU will determine the Energy Price for each month in the Term, and notify RBU of the Energy Price for each month, on or before 30 June 2017.

The Energy Price for each month in the Term or remainder of the Term (as applicable) will be derived from the same Energy Forward Curve that is used to derive the flat sell Standard Products displayed on Synergy's website http://wholesale.synergy.net.au/SitePages/Standard_Products.aspx on the last Business Day occurring in the month that is four months before the start of each Quarter. For example, if the Energy Price is being determined for the entire Term on 30 June 2017, the Energy Forward Curve used to derive that Energy Price will be the same Energy Forward Curve used to derive the flat sell Standard Products displayed on the website on 31 March 2017 (as 31 March is the last Business Day of the month that is four months before the start of that Quarter).

A **Quarter** is a period of 3 months, commencing 1 January, 1 April, 1 July or 1 October, with the first Quarter commencing 1 July 2017.

Determining the On Peak Price

The applicable On Peak Price is derived from the applicable Energy Forward Curve as follows:

- (a) for each On Peak Trading Interval in a month in the Term or remainder of the Term (as applicable), the hourly forward energy price as shown on the applicable Energy Forward Curve is multiplied by the forecast load for the Initial Portfolio in the relevant On Peak Trading Interval;
- (b) the product for each On Peak Trading Interval in (a) is added together;
- (c) the amount in (b) is then divided by the total forecast load for the Initial Portfolio in all On Peak Trading Intervals occurring in the relevant month,

ie, this gives an average price for the month but more weight is given to the price in On Peak Trading Intervals where the load is higher (a load weighted average).

Determining the Off Peak Price

The applicable monthly Off Peak Price is derived from the applicable Energy Forward Curve as follows:

- (a) for each Off Peak Trading Interval in a month in the Term or remainder of the Term (as applicable), the hourly forward energy price as shown on the applicable Energy Forward

Curve is multiplied by the forecast load for the Initial Portfolio in the relevant Off Peak Trading Interval;

- (b) the product for each Off Peak Trading interval in (a) is added together;
- (c) the amount in (b) is then divided by the total forecast load for the Initial Portfolio in all Off Peak Trading Intervals occurring in the relevant month,

ie, this gives an average price for the month but more weight is given to the price in intervals where the load is higher (a load weighted average).