

**Corporate Plan 2012-15**

**Issue No 5.0**

## **We are regulators, innovative decision makers and advisors...**

### **IPART's Purpose and Goals – why we are here...**

IPART's purpose is to provide independent regulatory decisions and advice to enhance the economic, social and environmental wellbeing of the people and state of NSW.

Our specific purpose varies with different activities and functions we perform across a range of industries. Overall, we strive to achieve the following goals:

- ▼ Ensure consumers pay fair and reasonable prices for regulated services that reflect the efficient costs of supply.
- ▼ Be a key economic and policy think-tank and provide high quality and impartial advice to the NSW Government.
- ▼ Encourage regulated services to increase their economic efficiency and maintain or improve their service performance where there is customer willingness to pay.
- ▼ Promote secure and sustainable energy and water supplies and reliable public transport services .
- ▼ Encourage prudent and efficient investment in water, public transport and local government infrastructure.
- ▼ Encourage environmental sustainability.
- ▼ Deliver best-practice regulation and promote a consistent, predictable regulatory environment.

### **Our guiding principles**

In pursuing our purpose and goals, IPART is guided by a set of principles based on best practice in regulation and the statutory constraints within which we operate:

#### **Thinking Independently**

We maintain the independence and impartiality of our decisions from Government and all other stakeholders

#### **Being Transparent**

We make our processes visible and explain our decisions clearly and simply

#### **Providing consistency**

We strive to provide a stable, predictable regulatory environment with no surprises

## **Consulting Widely**

We consult extensively and effectively with all stakeholders and take their concerns and comments seriously

## **Delivering Fair and Balanced Outcomes**

We aim for equitable outcomes by balancing the interests of the regulated entities, their customers and other stakeholders

## **Being Practical**

We aim for pragmatic outcomes that can be achieved without significant costs or operational difficulties

## **Driving Excellence**

We conduct ourselves with discipline according to high professional standards, and use resources effectively and efficiently.

## **Fostering Innovation**

We explore new and better approaches and demonstrate intellectual leadership.

# **IPART's Functions**

We provide an integrated system of economic regulation and licence regulation in NSW that covers pricing for water, transport, local government, electricity and gas industries and licensing of water, electricity and gas.

In addition, IPART administers the Energy Savings scheme and undertakes reviews and investigations into a wide range of economic and policy issues. In this respect we act as a key economic think tank and policy advisor to the NSW Government.

Our core functions are conferred by legislation, Rules and access regimes established by legislation. These functions are to:

- ▼ Set maximum prices for monopoly services provided by government agencies in NSW (including water and public transport).
- ▼ Administer licensing or authorisation of water, electricity and gas businesses, and monitor compliance with licence conditions.
- ▼ Advise the NSW Government or its agencies on issues such as pricing, efficiency, industry structure and competition.
- ▼ Regulate maximum electricity and gas prices that regulated energy retailers can charge to residential and small business customers.

- ▼ Regulate private sector access to water and waste water to encourage competition and re-use.
- ▼ Maintain a local government cost index, determine the maximum percentage increase in local government general revenue (rate peg), determine special rate variations and review Council development contributions plans.
- ▼ Review the regulatory burden in priority industries to reduce red tape.
- ▼ Administer the Energy Savings Scheme and associated Register of energy savings certificates.
- ▼ Register agreements for access to public infrastructure assets and arbitrate disputes about agreements for access to public infrastructure.
- ▼ Investigate complaints about competitive neutrality referred to us by the Government.

## The Future

In undertaking our functions we will strive to :

- ▼ improve the productivity of utilities which will lower the costs of services to customers
- ▼ explore different regulatory methodologies to simplify regulation wherever possible and ensure the best outcomes are achieved
- ▼ foster competition wherever possible
- ▼ encourage innovation so that least cost delivery of services is achieved
- ▼ work with regulated businesses to ensure we can access the quality of information required for rigorous decision-making without unreasonable burden to the business
- ▼ use technology as a mechanism to enhance collaboration with stakeholders and citizens
- ▼ cultivate the quality of our human capital, to sustain a high standard of analysis and reporting
- ▼ improve IPART's productivity by doing more with less.

## Our Strategic Directions

IPART's work contributes to the following State Plan *NSW 2021* goals:

### Rebuild the Economy and Renovate Infrastructure

By making fair and balanced price determinations on water, electricity and gas prices, our work supports the Government's efforts to invest in critical infrastructure, improve efficiency and effectiveness of expenditure and secure potable water supplies. In making these determinations we aim to set prices that:

- ▼ Generate sufficient revenue to recover the water and energy suppliers' total, efficient costs, including the costs of maintaining their infrastructure.
- ▼ Ensure the water and energy suppliers can recover their prudent and efficient investments in infrastructure over the economic life of the assets.
- ▼ Encourage the water and energy suppliers to pursue opportunities to increase their efficiency, and thus reduce the costs of essential business inputs.
- ▼ Facilitate competition and establish the performance requirements for new entrants to the water industry.

By reviewing and reducing the regulatory costs to business and the costs and benefits of IPART's licence recommendations, our work also helps to increase the competitiveness of doing business in NSW and to reduce red tape.

By regulating local government property rates, and encouraging improved efficiency in local government infrastructure provision, our work helps to build liveable centres and improve the quality of urban and rural roads.

The Government regularly refers specific policy or productivity reviews to IPART where the focus is to improve efficiency and effectiveness of expenditure to improve the performance of the NSW economy.

### Protect Our Natural Environment

- ▼ Our roles in administering the Greenhouse Gas Reduction Scheme and the Energy Savings Scheme contribute to the State's efforts to improve the efficiency of energy use and to reduce CO<sub>2</sub> emissions associated with the production and use of electricity in NSW to minimise impacts of climate change.
- ▼ Our roles in administering the licensing regime established by the *Water Industry Competition Act 2000* and the operating licences for the metropolitan water suppliers contribute to the State's efforts to increase recycling and secure potable water supplies.

## **Return Quality Services to Transport**

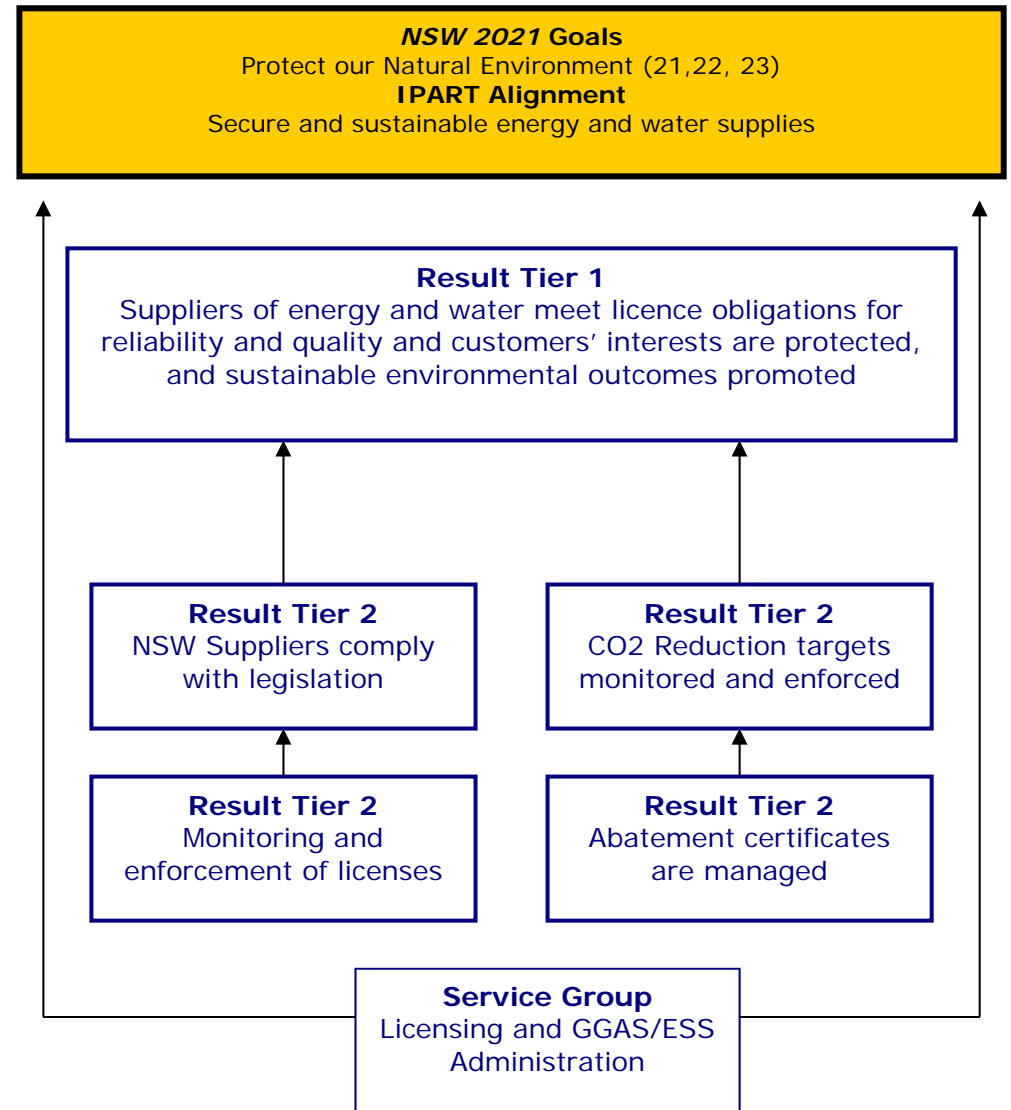
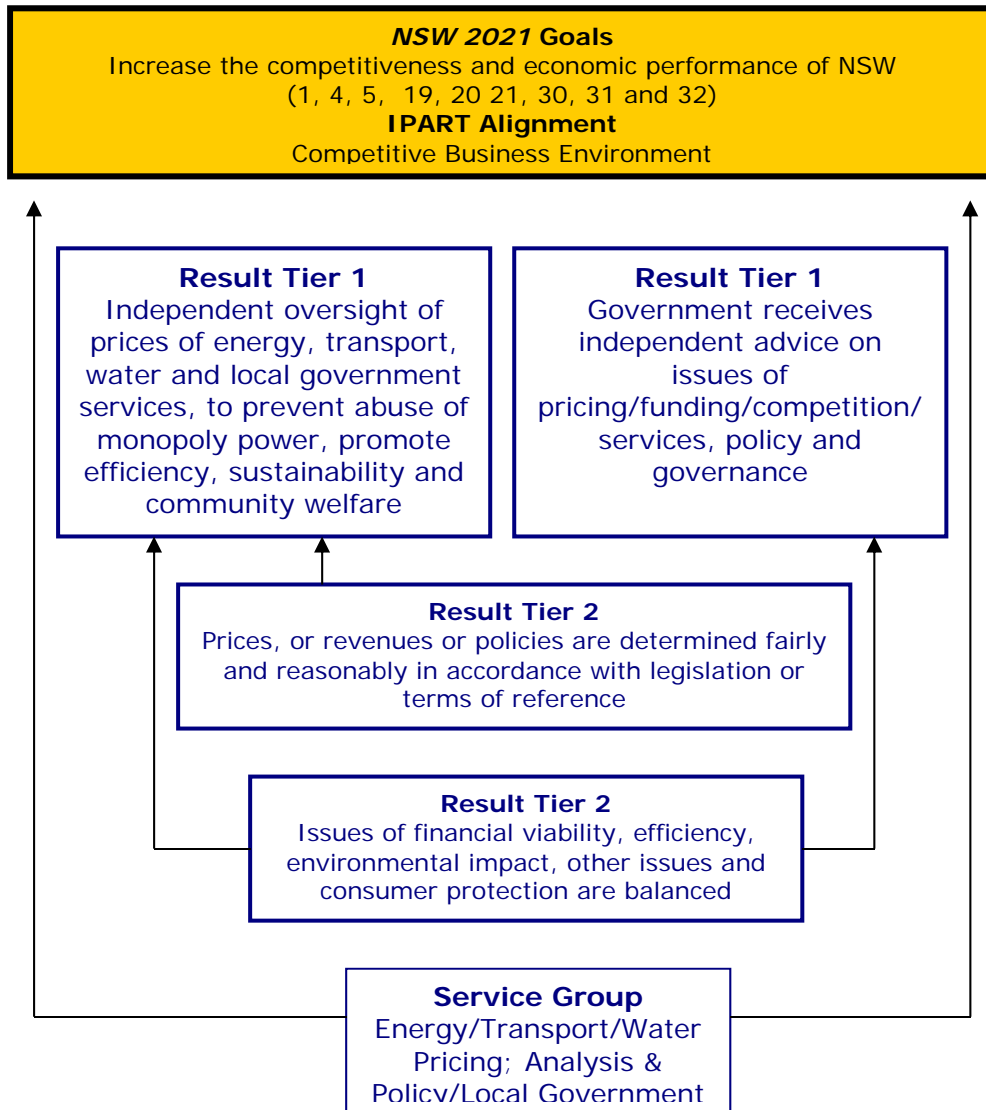
By making fair and balanced price determinations on public transport fares, our work supports the Government's efforts to grow patronage on public transport by making it a more attractive choice, improve customer experience with transport services, and increase expenditure on critical NSW infrastructure. In particular, in making these determinations we aim to:

- ▼ Ensure both passengers and the broader community each make a fair contribution to the costs of providing public transport services, reflecting the benefits each derives from the services.
- ▼ Strengthen public transport service providers' accountability by assessing their service performance and making our findings publicly available.
- ▼ Facilitate the implementation of Government policies on fare harmonisation and electronic ticketing.

## **Restore Accountability to Government**

IPART is transparent and provides open access to our work and processes through our web site. IPART is also committed to public consultation to involve the community in decision making on government policy, services and projects.

# IPART's role in the NSW State Plan *NSW 2021*



To achieve these results, IPART intends to focus on five strategies:

**Strategy 1:** Demonstrating a fair and transparent process.

**Strategy 2:** Applying a rigorous and credible approach to our work.

**Strategy 3:** Reaching a reasonable, balanced answer.

**Strategy 4:** Pursuing excellence and fostering innovation in our operations.

**Strategy 5:** Applying resources to deliver a robust, well run organisation.



### Strategy 1

Demonstrating a fair and transparent process

- meet regularly with key stakeholders and representative groups to canvas a wide range of views
- encourage and facilitate stakeholder involvement
- invite submissions from all segments of the community
- explain IPART's decision making processes and rationale for decisions through public reports and issues papers
- publicise realistic timetables that allow adequate time for the entities to respond
- improve adherence to target dates and communicate the reasons for any delay
- invite feedback on how to improve our processes, including surveys of stakeholder perceptions

### Strategy 2

Applying a rigorous, credible approach to our work

- implement outcomes of completed process review
- improve analytical capacity through recruitment and development practices
- draw on appropriate external experts
- apply high standards of ethical and professional work practices
- encourage teamwork in an inclusive, respectful working atmosphere
- articulate the information IPART requires from businesses and regulated entities
- continually improve internal processes
- apply quality assurance process to draft outputs
- Review and test risks and controls in the risk management framework

### Strategy 3

Reaching a reasonable, balanced answer

- monitor developments in other jurisdictions
- monitoring and reporting on impacts of Tribunal decisions to ensure they have no unintended consequences
- continue to release draft decisions and seek public feedback
- providing more reasoned explanations of decisions
- encourage robust and rigorous debate at Tribunal meetings
- invite staff to challenge ideas and processes
- hold peer reviews

### Strategy 4

Pursuing excellence and foster innovation in our operations

- work with other regulatory bodies & public sector agencies to share innovations & meet best practice
- be pro-active on referrals where we believe IPART can add value
- continue to investigate ways to obtain the views of customers
- maintain and improve our enviable stakeholder survey results
- encourage approaches to new ways and learning by our staff
- do more to communicate key decisions clearly and simply
- research and adopt improved regulatory techniques and approaches
- adjust, adapt and re-invent our decision making processes & approaches processes

### Strategy 5

Applying resources to deliver a robust well run organisation.

- seek adequate government funding to maintain market-driven remuneration and meet consultancy needs
- improve practices in Project Management
- improve our workplace operation, facilities, and productivity
- reduce our environmental footprint
- review profile of workforce & match to organisational needs
- maintain an intellectually rigorous work environment & recruit the best staff
- become a preferred employer through a safe workplace, development opportunities, family friendly work practices and building skills of our workforce by training
- work with other public sector agencies to achieve economies of scale
- continually improve systems and services, & measure these outcomes via the Results & Services Plan
- make the website easier to understand

## Key performance Indicators

The following measures were developed as part of IPART's Results and Services Plan. The service delivery and funding plan was prepared by agencies to demonstrate the relationship between the services they deliver and the results they are working towards.

Planned result	Result Indicators	2012/13 Target
- Independent oversight of prices for energy, transport, water and local government services	- Graph of real cost to public over time	See "Impacts" section in 2012/13 Annual Report
	- Graph of real cost to business over time	
	- Perceived quality of leadership – practical outcomes and independence (expressed as % from stakeholder survey*)	85%
- Suppliers of energy and water meet licence obligations	- Acceptance by Ministers of annual water and energy audit/licence compliance reports	15 reports
- Energy savings target	- liable electricity sales target met	Yes

<b>Services delivered</b>	<b>Services measures</b>	<b>2012/13 Target</b>
<b>1 Licence Monitoring</b>		
Key services:		
- Monitoring of water licences	- Acceptance by Minister of annual water audit reports	- 5 reports
- Monitoring of energy licences	- Acceptance by Minister of annual energy compliance audit reports	- 2 reports
- Administration of Energy Savings Scheme targets	- # of accredited energy savings projects - # of energy savings certificates registered (per year)	- 30 - 1m
<b>2. Pricing of water, transport, energy and other reviews</b>		
Key services		
- Wide consultation on issues	- Perceived quality of consultation processes (expressed as % from stakeholder survey)	88%
- Rigorous process of review	- Perceived professionalism of staff (expressed as % from stakeholder survey)	93%
	- Perceived timeliness of decision-making processes	88%
	- Number of projects completed	
	- within 6 months	12
	- within 12 months	40
	- over 12 months	7
	- # of public hearings, forums and workshops	10
	- # of papers and reports (Total)	90
	- major	65
	- minor	25
<b>3. Regulation of local council rates and contributions plans (commenced 1 July 210)</b>		
- # of special rate variations and minimum rate variations determined		24
- # of contributions plans reviewed		5
<b>4. Referred Reviews</b>		
- Terms of reference are met	- Relevant Minister's broad acceptance of report and recommendations	5 reports

# Corporate Profile

## Role of the Tribunal

IPART is headed by a Tribunal that comprises 3 permanent members, plus temporary members, who are appointed by the Premier. The Tribunal is supported by a Secretariat that provides research and advisory services.

## Role of the Secretariat

IPART's Secretariat assists the Tribunal in its work, by providing research and advisory services, and supporting investigations and public processes.

Most of the professional staff members are highly experienced economists and financial/accounting analysts. They work in industry-based teams, undertaking research, investigation and analysis to provide professional advice to the Tribunal. Staff with specialist technical skills are employed to administer the two environmental schemes and contribute to water licensing. General Counsel and legal staff provide legal advice on the increasingly complex regulations governing utility operations.

The Secretariat also includes a support services team that provides information technology, general administrative, and personnel support to the operational areas. This team also manages IPART's processes, including submissions, the preparation and publication of reports and the website.

With most investigations, the Secretariat also needs to commission consultants to undertake additional research and provide the Tribunal with the highest quality advice on often complex topics. If necessary, it can also second staff from other government agencies to assist with particular investigations.

# Appendix 1

## Organisation Chart

