



IPART Independent
Pricing and Regulatory
Tribunal | NSW

Annual Report
2020-21

October 2021

The Independent Pricing and Regulatory Tribunal (IPART)

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IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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Letter of Submission

Our reference: 21/137

29 October 2021

The Hon. Victor Michael Dominello, MP
Minister for Digital, Minister for Customer Service
52 Martin Place
Sydney NSW 2000

Dear Minister

Independent Pricing and Regulatory Tribunal – Annual Report 2020-21

As required by the *Annual Reports (Statutory Bodies) Act 1984*, we are pleased to submit to you, for presentation to Parliament, the Independent Pricing and Regulatory Tribunal Annual Report for the year ending 30 June 2021.

Yours Sincerely



Carmel Donnelly
Chair



Deborah Cope
Tribunal Member



Sandra Gamble
Tribunal Member

The Chair's Forward

I was delighted to commence as IPART's chair on 1 July 2021 and I've quickly come to appreciate the breadth and depth of IPART's work. I would like to acknowledge and congratulate my predecessor Dr Paul Paterson and the Tribunal on all they achieved in 2020-21

IPART helps the people of NSW get safe and reliable services at a fair price.

This is evident across the Tribunal's work in 2020-21 and some examples of our impact on services to NSW customers include:

- recommending changes to reliability standards for electricity distribution networks – the Tribunal recommended changes that align with the value customers place on having a reliable supply while putting downward pressure on prices and increasing customer protections
- setting lower maximum fares for rural and regional bus services – we recognised that in these areas public transport's main purpose is enabling people with limited transport options to engage with their community, educational services, the labour market and essential services such as health care
- assessing applications from local government for increases to their rates – these were assessed against criteria including financial need and whether consultation with ratepayers was adequate.



The Tribunal continued to hold regulated businesses accountable for meeting their obligations to their customers. This is clearly important where regulated organisations provide essential services to individual customers, including those services that people cannot do without, like water or electricity. It is also important for programs that benefit the whole community of NSW. For example, the Energy Savings Scheme aims to achieve energy savings that help cut costs for individual customers while at the same time reducing greenhouse gas emissions in line with NSW's goal to achieve net zero emissions by 2050.

While overall compliance in the sectors we regulate remains high, the Tribunal took regulatory action to address non-compliance in a number of cases including issuing financial penalties.

At IPART, we know our work occurs in a context where changing customer needs and preferences and new technology make different futures possible. We recognise the diversity of the NSW community, and we expect the entities we regulate to respond to the diverse needs of their customers and deliver better outcomes for the NSW community.

That means we are continually thinking about how we can regulate better. In 2020/21 we initiated a review of our regulatory framework for water with objectives to lift the performance of the sector and promote innovation and a customer focus. I look forward to completing that review in the coming year as well as working with all at IPART to continue to challenge ourselves to be more and more customer centric, inclusive and proactive in getting better outcomes for people in NSW.

I'd like to thank my fellow Tribunal members Deborah Cope and Sandra Gamble for their very warm welcome and their generous support as I settle into my role as Chair and for Deborah's leadership as acting Chair in the months before I commenced. I thank Mike Smart who deputised as a Tribunal member for several months before I commenced. I also want to express my appreciation to the IPART CEO Liz Livingstone and the hardworking Secretariat who produce high quality and comprehensive advice to help us make informed decisions in the interests of the people of NSW.



Carmel Donnelly
Chair

The Chief Executive Officer's Report

We adopted our strategic plan in November 2020 and this has shaped our organisational priorities over the last year.

One of our aspirations is that a broader range of stakeholders has meaningful input in our processes. Some examples of how we've been implementing this include:

- using a multi-lingual survey for the first time to gather feedback as we reviewed the competitiveness of the NSW funeral industry
- running a series of full-day workshops to engage at a deeper level with our stakeholders in our review of the regulatory framework for water
- updating our communication tools including our document templates and building a new website so they are more accessible and make us easier to engage with.



Our strategic plan also recognises we have a significant role in helping NSW tackle climate change and we now explicitly scope the need to adapt to or mitigate climate change impacts at the start of each of our reviews. Sustaining safe and reliable services that are affordable as the climate changes will require significant action from those we regulate and we want our regulatory frameworks to be up to the challenge.

At the heart of all of our work are the people of NSW who rely on the essential services we regulate and the integrity of schemes like the Energy Savings Scheme to deliver genuine benefits for them. Another of our aspirations in our strategic plan is to both empower and protect consumers. For example, we reviewed the Home Building Compensation fund and recommended changes that if implemented, would see earlier resolution of home owner disputes with builders and a more competitive market for products that protect consumers.

Our people told us in the annual People Matter Employee Survey that they sought more autonomy and scope to work across different areas. We made organisational changes that respond to this including streamlining our top level structure. We also welcomed a record number of 6 graduates this year and have been excited to see their commitment, skill and enthusiasm in their contributions across IPART's work program.

It was a pleasure again this year to work with our Tribunal with their appetite for innovation yet careful consideration of what each of their decisions means for the people of NSW. Our former Chair Dr Paul Paterson retired in February having steered IPART to its new strategic direction. Deborah Cope led us as acting Chair for the remainder of the year with Sandra Gamble and Mike Smart as Tribunal members. I look forward to our next chapter as we welcome our new Chair, Carmel Donnelly.

Finally, the dedication, commitment to go above and beyond and the capacity of our Secretariat to do so many things well means it's a privilege to work with them.



Liz Livingstone

Chief Executive Officer

Chapter 1 >>

Our Organisation

01

Purpose

IPART makes the people of NSW better off through independent decisions and advice.

We mean this in a broad sense as we promote the wellbeing of all the people of NSW over the long term. Most of our work is designed to help people get safe and reliable services at a fair price. Our thinking encompasses the economic, social and environmental dimensions of our work.

We are part of the NSW Government but make our decisions and provide our advice independently of it, based on evidence.

Our aspirations

In November 2020 we adopted a new strategic plan and identified four aspirations that define the areas we most want to change by 2023. Our aspirations are:

01 Engagement
A broader range of stakeholders has meaningful input in our processes





02 Climate Change
Our decisions help NSW to tackle climate change

03 Consumers
Our decisions empower and protect consumers

04 Our people
We trust, inspire and support each other to perform at our best

Values

We also started work to refresh our values in 2020-21 and early in 2021-22 adopted new values that set out the behaviours we expect of each other as we work to serve the people of NSW.

 Integrity & Courage	 Respect & Inclusion	 Curiosity & Openness	 Making a difference
We treat people fairly	We are courteous and considerate	We seek out and develop new ideas that will improve our work	We pursue better outcomes for the people of NSW
We are willing to make the difficult decisions	We encourage and recognise everyone's contributions	We listen to understand and to gain new perspectives	We consider the context and impact of our actions and decisions
We act and make decisions transparently	We bring together diverse experiences and skills to generate better solutions	We invite challenge to our thinking	We apply skill, diligence and creativity to our work
We own our mistakes and learn from them	We approach people with empathy	We support each other to learn and develop	We empower people by sharing our knowledge and experience

Major Stakeholders

Our major stakeholders are:

- **The people of NSW and their advocates** – our work directly affects consumers' cost of living and influences the quality of services they receive from the publicly owned utilities we regulate and the prices that small and large businesses pay for regulated services. It also influences the value taxpayers receive from the funds invested in these utilities and in public transport services.
- **The businesses and industries we regulate and their advocates** – our work affects the financial viability and operating environment of the businesses and industries we regulate and their capacity to offer quality services to consumers over the long term.
- **The NSW Government** – our work affects the ability of publicly owned utilities to pay dividends to the Government, and the revenue it receives from public transport fares. Our advice on economic and policy issues influences the productivity, effectiveness and efficiency of Government agencies and State Owned Corporations.

What we do

IPART helps NSW residents get safe and reliable services at a fair price. We are:

- the **independent pricing regulator** for water, energy, public transport and local government
- the **licence administrator** for water, electricity and gas
- the **scheme administrator and regulator** of the Energy Savings Scheme

We conduct reviews across our main focus areas of water, energy, local government and transport. We also conduct reviews of other industries when the NSW government asks us to.

Although we're a NSW government agency, we operate independently of the government. When making decisions and recommendations, we focus on:

- protecting consumers from unreasonable price increases
- improving providers' efficiency and service quality
- encouraging competition
- protecting the environment
- ensuring that regulated service providers remain financially viable.



Price Regulation

Determining maximum regulated prices for water, energy, public transport, taxi fares and local government rates and development contributions.



Licensing and Compliance

Issuing licences and monitoring compliance for water and energy services to encourage competition, efficient use of resources and appropriate access to public infrastructure



Special Reviews

Recommending improved pricing, efficiency, industry structure and competition reform to support economic growth

Chapter 2 >>

Our Performance

02

Delivering regulatory leadership and high-quality decisions and advice

We continued to solve a wide range of economic and policy issues through price regulation

48 

Reports including 14 determinations and 18 final reports

5 

special reviews undertaken at Government request

6 

submissions made by IPART to external reviews

Water Pricing

Reviewing our water regulatory framework to meet the long term needs of consumers

In 2020-21 we commenced a review of how we regulate monopoly water businesses in NSW. Water and wastewater services are a vital part of our lives and wellbeing, and everyone should be able to access safe, affordable and reliable essential services.

As a regulator, our aim is to promote the long-term interests of customers. We need confidence that the water businesses which we regulate undertake long term planning and have a clear and current understanding of customers' values, preferences and long-term interests. We also require clear and transparent outcomes which demonstrate that customers' and the communities' preferences are being met by the water businesses at the lowest sustainable cost, including the need to respond to environmental and climate pressures.

Our framework should promote effective co-ordination between Government, other regulators and the businesses to deliver a resilient and efficient water sector. The framework also needs to keep the businesses accountable for the outcomes they deliver to customers and the community.

We have run a consultative process engaging with stakeholders at 3 workshops which discussed incentives to ensure customer preferences and their long-term interests are reflected in the way the water businesses are run. We have also released two discussion papers – one focused on lifting the performance of the water sector and the other focused on engaging with customers.

We set maximum prices for rural bulk water services and prices to water access licences holders to deliver sustainable and reliable water

WaterNSW owns and operates the dams and other assets that collect, store and deliver bulk water in NSW and provide services to bulk water customers. Sustainable, reliable and efficient provision of these services is critical to the agricultural sector and the wellbeing of communities in rural and regional areas. It is also important to the state's ability to manage the environmental impacts of drought and climate change.

Our review of prices recovers from users a share of the efficient costs of providing rural bulk water services and supports sustainable ongoing service delivery. The remaining share of these costs are funded by the NSW Government on behalf of the broader community.

Our review found that for WaterNSW to deliver effective services into the future, its expenditure needs to be higher than we allowed for when we last set its prices in 2017. Otherwise, customers may be worse-off in the long-term, as WaterNSW may not be able to deliver effective services and maintain service quality into the future. In particular, WaterNSW needs higher levels of operating expenditure to maintain its assets to an acceptable quality.

Well-maintained assets are important for customers, to provide the levels of service they seek, and to the community in general. The customer share of WaterNSW's efficient costs is around 19% higher than when we last set prices.

Concurrent with the review of WaterNSW's prices, we reviewed the prices Water Administration Ministerial Corporation (WAMC)^a can charge holders of water access licences in NSW for regulated river, unregulated river and groundwater systems. WaterNSW's rural bulk water customers also pay WAMC water management charges.

Our review of these prices found that increases are necessary to support sustainable improvements in water management. Effective management of water is important to ensure this scarce resource is used sustainably, and thus continues to support the health of the environment, the wellbeing of communities, and the security, reliability and value of water users' entitlements in NSW. Effective management will become increasingly critical and challenging in the coming decades, as the climate continues to change.

^a WAMC is the entity responsible for water resource management in NSW. This includes developing plans for sharing water between users and the environment, administering water licences and allocations, and ensuring compliance with water laws and licences.

The prices WAMC charges water users aims to recover a share of the costs incurred in providing its water management functions and monopoly services. The remaining share of these costs is funded by the NSW Government on behalf of the community.

Energy

We determined solar feed-in tariff benchmarks for 2021-22

As a low-emissions technology, solar panels reduce the need for electricity to be generated from sources that contribute to climate change. IPART's solar feed-in tariff benchmark is one tool that informs consumers to help them compare retail offers to improve the financial returns on their panels.

Around half a million residential households and small businesses have installed solar panel systems in NSW. This represents around 15% of residential households and 3% of small businesses in NSW. Energy from small-scale solar panels makes up around 5% of total electricity generated in NSW. In addition, the number of households with battery systems is slowly increasing, so that solar electricity can be used or exported to the grid even when solar panels are not generating electricity.

We set the benchmark tariffs based on the value of solar exports to retailers. When solar exports occur, retailers avoid the wholesale costs of purchasing electricity from the National Energy Market (NEM), transmission and distribution losses, and NEM fees and charges. We estimate that this value of solar exports will be 4.6 to 5.5 c/kWh in 2021-22

We monitor the competitiveness of the energy retail market

The electricity and gas retail markets in NSW are competitive, so all customers in NSW can choose their retailer and electricity and gas plans, and retailers decide the prices that they charge customers.

[Energy Made Easy](#) is a free Australian Government service that helps customers find a better plan on energy bills and starts the request to switch providers. The service compares and shows customers the best priced plans and features from all household electricity providers, based on the activity detailed in their current bill. The Australian Energy Regulator (AER) also operates a free electricity and gas on-line price comparison service Energy Made Easy, which enables consumers to compare offers from different energy retailers.

Customers **who do not** choose a plan are automatically moved onto their retailer's default standing offer. The standing offer prices for electricity cannot exceed the default market offer prices that are set by the AER. Gas prices are not regulated.

Energy retailers compete with each other to offer customers the lowest possible prices. When competition is working well, a retailer that increases its prices above the costs of supply will be outcompeted and lose customers to other retailers.

The NSW Government has tasked IPART with monitoring the performance and competitiveness of the energy retail market for small customers, and reporting annually to the Minister for Energy and Environment.

Our 2020–21 review found that electricity and gas customers could save money by switching energy plans. Our review also assessed the impact of COVID-19 on the retail energy markets.

Many customers will also be using energy differently as a result of the changes from COVID-19 restrictions, such as work from home arrangements, which may result in higher than expected bills. COVID-19 is likely to impact the retail energy market over the coming year. Retailers are likely to take on more debt as customers with reduced income could have difficulty paying their bills. Customers should get in touch with their retailer if they are in financial hardship.

We also found several indicators that show competition and performance has continued to develop in the retail electricity and gas markets. We have seen more retailers enter these markets and take market share away from the three largest retailers.

While there have been positive trends in the development of the retail energy markets, advances in technology and increasing digitisation of services mean that the retail markets can continue to develop to deliver better outcomes for all energy consumers.

There are reviews underway looking to improve the future design of the electricity market for consumers, including how consumers interact with the market and how information is provided to consumers.

We reviewed the NSW electricity distribution reliability standards to ensure that they reflect the needs and preferences of the people of NSW

Reliability standards play a fundamental role in ensuring customers receive a reliable, continuous supply of electricity. However, they are also a key driver of the cost of electricity supply. Over the past decade, the 3 NSW distributors have made significant investments in their networks, partly driven by relatively high reliability standards. As the cost of these investments is passed on to customers through higher electricity bills, it is important to get the balance right.

We recommended a number of changes to the reliability standards including:

- removing reliability standards that duplicate national arrangements
- minimum standards for individual feeders and direct connections that better reflect an efficient long-term level of reliability
- updating individual customer standards with a new guaranteed service level (GS) scheme
- new reporting standards for distributed energy resources (DER), such as rooftop solar, wind turbines and battery storage, to increase the distributors' ability to host distributed energy resources and increase exports to the network
- new standards for standalone power systems (SAPS), which provide electricity to customers without going through the grid, and future changes to provide SAPS customers with the same protections as other customers
- streamlined reporting and auditing requirements.

Transport pricing

We set maximum fares for bus services in rural and regional NSW to ensure fares are affordable

Public transport fares contribute a portion of the costs of providing public transport, helping to share the cost between the people who use it and the community more generally, who pay for the balance through their taxes.

We completed our review of fares for rural and regional bus services. Local bus services in rural and regional areas provide transport service options to enable people to engage with their community, educational opportunities, the local labour market and essential services such as health care. To fulfil this function, it is important that fares are not a barrier to using buses. However, the consultation we have done for the review made it clear that for some people the cost of public transport is prohibitively high, which limits or restricts its use. The impact on use is likely to be greatest on those who are the most isolated and face the greatest levels of transport disadvantage.

Our new fare determination reduces maximum fares across all distances. Our main aim with these changes is to make fares more affordable. We expect these fares to encourage greater use of existing rural and regional bus services, maximising their value to the community and making the services more cost effective.

We determined maximum fares that applied from January 2021 including:

- lower fares for all trip distances. The largest fare reductions are for long distance travel, where fares are up to 50% cheaper. Our determination could save passengers up to 30 cents a trip on shorter distance journeys and up to \$25 a trip on longer distance journeys.
- cheaper, simpler daily tickets, including a \$5 daily ticket for short distance trips (less than around 10km) and a maximum daily ticket price of \$30.

We commenced a review of fares for 7 private ferry operators that hold passenger service contracts with Transport for NSW

The private ferry services covered by the review are:

- Brooklyn Ferry Services – Brooklyn to Dangar Island
- Central Coast Ferries – Woy Woy to Empire Bay
- Church Point Ferry Service – Scotland Island and western foreshore of Pittwater
- Clarence River Ferries – Iluka to Yamba
- Captain Cook Cruises – Circular Quay to Lane Cove
- Cronulla and National Park Ferry Service – Cronulla to Bundeena
- Palm Beach Ferries – Palm Beach to Mackerel Beach and the Basin, and Palm Beach to Ettalong and Wagstaffe.

Our review will consider the efficient costs of running each ferry service. It will then look at how these costs should be shared between fares paid by passengers and any subsidy paid by taxpayers.

In 2020-21, in addition to our public transport fare reviews we:

- completed a survey of point to point transport use (February 2021).
- completed our 2021 annual update to the net rates of return that are used by the Department of Planning, Industry and Environment (DPIE) and Roads and Maritime Services to calculate their rents for domestic waterfront tenancies.
- assessed Australian Rail Track Corporation's (ARTC) compliance with the NSW Rail Access Undertaking for its non-Hunter Valley Coal Network sectors for 2019-20.
- determined the wholesale price of ethanol.
- completed our monitoring of the wholesale and retail markets for fuel ethanol.

Local Government

We set the rate peg for 2021-22 at 2.0% to reflect changes in the prices for goods, materials and labour used by an average council

The rate peg is the maximum percentage amount by which a council may increase its general income for the year. A council's general income is comprised mainly of rates revenue. We set the rate peg each year to assist ratepayers in getting good value for their rates, while ensuring councils have sufficient income to provide the services needed and wanted by ratepayers.

We calculated the rate peg for 2021-22 by taking the increase in the Local Government Cost Index to June 2020 of 1.8%, setting the productivity factor to 0.0%, and adding an adjustment of 0.2% for the costs of the 2021 local government elections.

The [Local Government Cost Index](#) measures price changes over the previous year for the goods and labour an average council will use. We also look at productivity changes over the same period. The rate peg applies to general income in total, and not to individual ratepayers' rates. As long as its general income remains within the set maximum increase, councils may increase categories of rates by higher or lower than the rate peg.

Individual rates are also affected by other factors, such as land valuations which can affect percentage changes to rates alongside the rate pegging process. Under the *Local Government Act 1993* (NSW), councils are able to seek additional increases in general income beyond the annual rate peg, by applying to IPART for a '[special rate variation](#)'.

We reviewed 8 special variation applications from councils for increases above the rate peg from 1 July 2021

IPART has made decisions on special variation applications from eight councils to increase their income from rates above the rate peg. We received a large number of submissions from ratepayers on the applications. We carefully considered the submissions and balanced the community concerns against some councils' demonstrated need for additional revenue to provide important community facilities such as roads, parks, playgrounds and libraries.

Councils are also required to show that they have conducted community consultation, assessed the impact on ratepayers and made productivity savings where possible. We approved special variation applications for single year increases for 2021-22 for Armidale Regional Council, Federation Council and Tweed Shire Council. We also approved multi-year increases for Canterbury Bankstown Council, Cootamundra-Gundagai Regional Council and Georges River Council.

We decided to approve a temporary increase for Central Coast Council. This will allow the council to increase its general income from rates for three years only. We have also approved a temporary 2-year increase for Liverpool Plains Shire Council.

We have attached conditions to the special variation approvals requiring the councils to use the additional income for the purposes outlined in each application. The councils are also required to report to the community about how the additional revenue is spent.

We have also approved increases to the minimum rates of four councils. These are Bayside Council, Canterbury Bankstown Council, Georges River Council and Inner West Council. These applications respond to a government requirement to harmonise rates and will allow the councils to make rating structures consistent across the newly merged councils. Harmonising minimum rates will not change the council's general income overall.

We review local infrastructure contributions plans to ensure infrastructure items are essential to meet the demand from new development at reasonable cost

Section 7.11 of the *Environmental Planning and Assessment Act 1979* (NSW) allows councils to levy contributions towards the cost of providing local infrastructure. Contributions plans set out the local infrastructure required to meet the demand from new development, and the contributions a council can levy on developers to fund the necessary land and works.

An IPART-reviewed contributions plan entitles the council to levy the full contributions amount. We assess whether the contributions plan meets the criteria set out in the Department of Planning and Environment's (DPIE) *Infrastructure Contributions Practice Note* (2019 Practice Note).

We completed assessments of 3 local infrastructure contributions plans:

- A targeted assessment of revised open space embellishment costs in Blacktown City Council's Contributions Plan No 21 – Marsden Park.
- The Hills Shire Council's Contributions revised Plan No 15 – Box Hill.
- The Hills Shire Council's Contributions revised Plan No 13 – North Kellyville.

We also commenced our assessment of a further two contribution plans:

- The Hills Shire Council's Contributions Plan No 18 – Bella Vista and Kellyville Station Precincts.
- Lane Cove Council's Contribution Plan for St Leonards South Precinct.

We reviewed the rate peg to include population growth

We are reviewing the current system for setting council rates revenue (the 'rate pegging system') to include population growth. The amount councils currently receive in rates is usually not enough to cover the increased costs associated with population growth. The methodology we have proposed will ensure councils maintain their rates income on a per capita basis as their population grows. This will enable councils to provide services to their growing communities and supports the NSW Government's commitment to allow councils to align their rates revenue with population growth. IPART's review of the rate peg is looking at population growth in rural and regional NSW, as well as Sydney and other metropolitan areas. We released a draft report in June 2021, held a public hearing in July 2021 and presented a final report to the Minister for Local Government in September 2021.

We have also been asked to undertake two other reviews to support the NSW Government's proposed reform of the infrastructure contributions system in NSW.

We are reviewing components of the infrastructure contributions system to ensure contributions plans reflect development-contingent costs only

Currently, contributions plans that propose contributions above \$30,000 per lot or dwelling in identified greenfield areas and \$20,000 per dwelling in other areas must comply with an essential works list and other criteria set out in DPIE's *Infrastructure Contributions Practice Note* (2019 Practice Note).

We have been asked to provide advice to inform an essential works list that would apply to all section 7.11 contributions plans. We have also been asked to provide advice on an approach councils should use to determine the most efficient local infrastructure to meet the needs of new development, applying the principle of nexus^b.

We have also been asked to develop and maintain standardised benchmark costs for local infrastructure that reflect the efficient costs of provision. We will complete these reviews in 2021-22.

We are reviewing domestic waste management charges to ensure they deliver good value for ratepayers

We commenced a review of local council domestic waste management charges. We have observed that there is a wide variation in these charges, and we are concerned that in some cases they may not be delivering good value for ratepayers. There may also be challenges for local councils in purchasing and pricing waste management services. In the past we have decided not to regulate councils' domestic waste management charges, but we need to consider whether this approach remains appropriate.

^b Nexus is established when the infrastructure is required due to the development

We released a discussion paper where we discussed option to improve the cost reflective of prices of domestic waste services and have consulted with councils and other stakeholders. We will progress this review in 2021-22.

Other industry reviews

We reviewed Interment costs and prices and recommended changes to deliver affordable burials

We have recommended changes to the interment industry that aim to deliver interment prices that:

- are affordable and equitable for all
- allow for the financially sustainable operation of cemeteries into the future
- are simple and transparent so that people can make informed decisions about interment choices at a difficult time.

Implementation of our recommendations would help ensure consumers have access to affordable burial plots that meet their needs. We are proposing a risk-based, rather than a one-size-fits-all, approach to regulating the interment industry. To ensure minimum standards and more consistent practices, we recommend mandatory codes of practice to be applied across the whole industry. We also recommend the development of best practice guidance to assist operators in setting prices and providing for perpetual maintenance. These measures are aimed at building capacity, rather than burdening the smaller (mostly council) cemetery operators.

For the larger cemetery operators that represent the greatest financial risk, we recommended a licensing regime that would require, among other things, licensed cemetery operators to meet prudential requirements for reserving funds for the perpetual maintenance of their cemeteries. If perpetual liabilities are not adequately funded, this is not only financially unsustainable for cemeteries, it also represents a risk to the taxpayers of NSW if the Government is expected to step in where a cemetery operator has failed.

We reviewed the NSW funeral industry and found that most people have a choice of products that are affordable

We want people to be able to make informed choices about the kind of funeral they want at a price they can afford.

There is no doubt that organising a funeral is unlike most consumer decisions. People organise funerals infrequently, within a short timeframe, during what can be a stressful and emotional time. Because death is a sensitive topic, people can be reluctant or unwilling to obtain quotes, compare funeral providers or request discounts as they might with other occasional high-value purchases.

Most people are satisfied with the funerals they purchase, and formal complaints are few. However, people told us that the process of organising a funeral can be confusing, and that more information would help. We reviewed funeral provider websites and found that many are not providing all the information they are legally required to display. We also reviewed Government websites with information about organising funerals and found opportunities for information to be presented more clearly and more consistently.

Some people, both consumers and industry stakeholders, called for more regulation of the industry. In our view, the current level of regulation – which focuses on providing information – allows for consumers to find the best outcomes for themselves.

We recommend that NSW Fair Trading Act to ensure all funeral providers comply with the existing regulation, so that the full benefit for consumers can be realised. We also recommend complementary improvements to funeral information on Government websites so that information is comprehensive, consistent and accessible.

We looked for signs that might indicate that there is not enough competition between funeral providers, leading to poorer outcomes for consumers. We investigated costs of funeral providers and how prices for consumers relate to those costs, and we investigated the range of choices available, in terms of providers, products, prices and business models.

We found that most people in NSW have access to a choice of funeral providers and a range of funeral products and services that meet their needs and are affordable.

We also looked at ways to pay for a funeral, where serious issues have been raised in the past about consumers being misled into buying products that do not suit them. We found that changes made as a result of the Banking Royal Commission are likely to address these concerns and should be supported by education and information.

We reviewed the efficiency and effectiveness of the Home Building Compensation Scheme

In November 2020, we submitted our [final report](#) on the efficiency and effectiveness of the Home Building Compensation Fund (HBCF) to the NSW Government. The scheme provides homeowners up to \$340,000 of cover for houses and low-rise apartments if their builder cannot complete a project or rectify defects because they are insolvent or have disappeared.

Our final report makes recommendations that would:

- reduce the average value of claims on the scheme
- make it easier for new entrants to compete with the NSW Government insurer (icare) to offer home building compensation
- ensure faster dispute resolution between home owners and builders
- regulate icare's prices and service more tightly, given its position as the main provider in the market.

Currently, premiums add more than \$4,000 to the cost of building an average \$350,000 home, or \$16,000 to each low-rise apartment of the same value. This is higher than premiums for similar schemes in other states.

Making it easier for providers to enter the market would put downward pressure on premiums and give builders and homeowners' greater choice. However, as icare is likely to remain the only HBCF provider in the market in the short-term, we also recommend additional regulation to ensure its premium prices and business practices reflect those that a commercial provider would adopt in a competitive market.

While most builders produce high-quality buildings, efficient mechanisms are needed when things go wrong. Currently, it can take a lot of time and money for homeowners to pursue their builder through Fair Trading and the NSW Civil and Administrative Tribunal.

Our report recommends measures to improve the timeliness of dispute resolution and complements the Government's approach to improving building quality through enhancing the compliance and enforcement regime. If all builders know they will be held accountable, defects are less likely to occur in the first instance. In the longer run, fewer defects would lead to fewer claims and lower premiums.

We reviewed native timber harvesting and haulage costs of the Forestry Corporation of NSW

We completed our review of the Forestry Corporation of NSW's (Forestry Corporation) native timber harvesting and haulage costs for the period 1 July 2016 to 30 June 2019.

We found that native timber harvesting and haulage costs were reasonable in the review period, and that there are limited opportunities to achieve further cost reductions.

External factors (such as the 2019-20 bushfires, resource availability and regulatory change) are placing upward pressure on costs. Our [final report](#) includes 2 recommendations to improve market efficiency, to reduce costs in the longer term, after accounting for these external influences.

Submissions to external regulatory reviews

We make submissions to external reviews where the issues are within our expertise and we have a substantial contribution to make. In 2020-21, we made 6 submissions to the following external reviews:

- Productivity Commission's Review into National Water Reform - Draft Report, March 2021
- Bureau of Meteorology's review of the Urban National Performance Reporting Framework reporting themes and indicators, February 2021
- Australian Energy Market Commission's review of the regulatory framework for metering services, February 2021
- Australian Competition and Consumer Commission's inquiry into water markets in the Murray-Darling Basin (MDB), Interim Report, October 2020
- NSW Productivity Commission's Green Paper, *Continuing the productivity conversation*, September 2020

- NSW Productivity Commission's Issues Paper, *Review of Infrastructure Contributions in NSW*, August 2020.

Our focus for the year ahead for pricing reviews

Water Pricing

- complete our review of the regulatory framework for the water utilities that we price-regulate to ensure our framework continues to promote the long-term interests of customers
- review prices for Essential Water's water and waste charges in Broken Hill from 1 July 2022
- review prices for WaterNSW's Murray River to Broken Hill pipeline services from 1 July 2022
- review prices for Central Coast Council's water, wastewater and stormwater charges from 1 July 2022.

Energy

- assess the competitiveness of the retail electricity and gas markets in NSW
- determine the solar feed-in benchmark for 2022-23
- determine the wholesale price of ethanol using an import parity price (IPP) methodology.

Transport

- complete our review of fares for 7 private ferry operators for fares from January 2022
- undertake a review of the arrangements governing third-party access to rail infrastructure in NSW.

Local Government

- set the rate peg
- assess applications from councils for special variations above the rate peg and minimum rate increases
- continue our review of domestic waste management service charges
- review councils' local infrastructure contributions plans.
- review the essential works list that apply to all section 7.11 contributions plans and provide advice on an approach that councils should use to determine the most efficient local infrastructure to meet the needs of new development, applying the principle of nexus.
- developing standardised benchmark costs for local infrastructure that reflect the efficient costs of provision.

We will complete a review of the activities that Fire and Rescue NSW (FRNSW) provide. FRNSW may charge for some of its services, such as false alarm call-outs to Automatic Fire Alarm systems, attendance at hazmat incidents, statutory fire safety inspections and reports, and attendance at special events. IPART is reviewing the services FRNSW may charge for, and will make recommendations on these charges, including prices to apply from 1 September 2022.

Keeping regulated entities accountable

We regulate entities that operate in competitive markets and those that are monopolies. In some cases, we have a role in safety or public health regulation, in others the protection of customers or consumers, and in others protection of the environment.

To keep regulated entities accountable in accordance with their regulatory requirements, we undertake a risk-based approach to monitoring their compliance with their licence conditions and/or regulatory requirements.

We continued to monitor regulated entities performance against their licence requirements

198 

audits conducted

5 

compliance reports

10 

guidelines published to facilitate compliance

5 

reporting manuals completed or updated

Water Regulation and Compliance

IPART is responsible for certain regulatory functions related to the operating licences for Hunter Water, Sydney Water and WaterNSW. We also undertake functions in accordance with the *Water Industry Competition Act (2006)* (WIC Act) to make recommendations to the Minister for Water, Property and Housing on whether to grant or refuse licences and the administration of those licences.

In 2020-2021, we:

- audited the compliance of Sydney Water Corporation, Hunter Water Corporation and WaterNSW against their operating licences.
- initiated enforcement action against Sydney Water and WaterNSW for contraventions of their respective licences.
- continued to improve and upgrade our database for collating, managing and reporting licensing and compliance data (WILMA – *Water Industry Licence Management Application*).
- redesigned and simplified the WIC Act application form and guidance documents to enhance customer satisfaction, improve workflow and prepare for the introduction of the new WIC Act.

- undertook a review of our approach to WIC Act audits to better target audit resources to areas of high risk, to improve consistency across WIC Act licensees and provide more certainty to licensees and auditors.
- completed a review of entry requirements to our Audit Panel, to address the lack of accredited auditors available for water industry audits.
- continued working with DPIE on the new WIC Bill. The Bill was approved by Cabinet on 2 August 2021 and should proceed to be tabled in Parliament before the end of 2021.
- monitored the compliance of 23 network operator's licensees and 12 retail supplier's licensees under the WIC Act, including the completion of 16 operational audits^c.
- completed assessment and recommended the Minister grant approval for 9 WIC Act licences.
- completed four 5-yearly WIC Act licence reviews.

The recycled water industry continues to expand with a 13% increase in the number of customers receiving recycled water for non-drinking purposes. However, the industry experienced an 11% decrease in the volume of recycled water produced, due in large part to the continuing effects of Covid-19 on industrial and commercial schemes.

We also note the following trends in the provision of services by private water utilities:

- Licensees are seeking to balance the volumes of sewage being treated with the demand for recycled water at WIC Act schemes. Licensees have sought authorisation for additional end uses and to supply new customers with recycled water produced by WIC Act schemes during periods of oversupply of recycled water. Licensees have also indicated that they intend to source additional sewage for recycling during seasonal peak periods of demand. We expect this trend to continue into 2021-22.
- Overall compliance continues to improve, with more licensees being granted a reduced audit requirement (from annual to biennial) due to their good compliance history.
- The limited pool of available auditors continues to be an issue. We have simplified the structure of the Audit Panel to encourage interest from a wider range of auditors from which our licensees may choose. We have updated and streamlined the application forms, and consulted with stakeholders on the revised framework.
- Overall, the number of applications continues to decrease. It is unclear if the decrease in licence applications is short-term, as a result of the COVID-19 impact on the industry, or a longer-term trend in the housing and development market. Delays in the implementation of the new WIC Act may have also impacted the number of applications being received.

^c The number of audits undertaken was slightly higher this year as we completed deferred audits from the previous year.

Energy Network Regulation

We have a role in holding the electricity network operators in NSW accountable for safety and reliability and for compliance with licence conditions issued by the Minister. We administer the licences and authorisations and undertake compliance for gas reticulators and distributors in NSW.

During 2020-21, we monitored the compliance of electricity network operators in NSW with their licences and relevant legislative requirements, and we will provide our annual compliance report on licence compliance to the Minister for Energy and Environment by 31 October 2021.

Specifically, we:

- monitored compliance of the four licensed electricity network service providers in NSW, TransGrid, Ausgrid, Endeavour Energy, and Essential Energy, by overseeing audits required under their operating licences, including:
 - the critical infrastructure licence conditions applicable to TransGrid, Ausgrid, and Endeavour Energy and Essential Energy
 - the reliability and performance licence conditions applicable to Ausgrid, Endeavour Energy and Essential Energy
- monitored compliance with relevant provisions of the *Electricity Supply Act 1995* (ES Act) and *Electricity Supply (Safety and Network Management) Regulation 2014* for electricity network operators for safe operation of their networks, including directed audits of TransGrid, Ausgrid, Endeavour Energy and Essential Energy's bush fire risk management
- assessed audit reports of the public and worker safety components of TransGrid and Ausgrid's Electricity Network Safety Management Systems; as well as Ausgrid's audit of its management of risks of working on or near its network in respect of energised assets.
- directed Ausgrid to modify its Electricity Network Safety Management System (in response to the above audits). Continued to monitor safety, reliability and third party property incidents that occurred on the networks of TransGrid, Ausgrid, Endeavour Energy, Essential Energy and Sydney Trains, and reviewed the preventative and mitigative action that the network operators' undertook in response to these incidents.
- monitored compliance with the code of practice for environmental impact assessments^d.
- monitored compliance of Ausgrid, Endeavour Energy and Essential Energy against the NSW Public Lighting Code.
- assessed an application for a gas distributor's licence from Jemena Gas Networks (NSW) Pty Ltd, and recommended to the Minister for Energy that a licence be granted.
- administered 10 licences/authorisations for gas distributors/reticulators.
- worked with DPIE on the *Gas Supply Act* (1996) reform in relation to hydrogen and hydrogen blends.

^d Department of Planning and Environment, *NSW Code of Practice for Authorised Network Operators*, September 2015.

Energy Savings Scheme administration and regulation

In 2020-21 the Energy Savings Scheme (ESS) continued to achieve the objectives of the *Electricity Supply Act 1995* by:

- creating financial incentives to reduce energy consumption
- helping households and businesses reduce energy consumption and costs
- reducing greenhouse gas emissions
- reducing electricity demand.

As Scheme Regulator and Scheme Administrator, we aim to protect the integrity of the scheme and the interests of electricity consumers by:

- monitoring compliance with the ESS target each year
- monitoring and managing participants' compliance with legislative requirements and conditions of accreditation
- ensuring that Energy Saving Certificates (certificates) created represent genuine energy savings.

In accordance with our statutory reporting requirements, we report annually to the Minister for Energy and Environment on the compliance and operation of the ESS. We are required to report on the 'compliance year' which is based on the calendar year. The numbers referred to in this section refer to the 2020 calendar year. The full ESS Annual Compliance Report can be found on the [ESS website](#).

The principal objective of the ESS – to create a financial incentive to reduce energy consumption – was achieved through the energy savings target, which established a demand for 4,546,509 certificates. This demand provided a financial incentive for Accredited Certificate Providers to create 4,967,296 certificates in 2020 by implementing energy savings activities. As in previous years, around three quarters of the certificates created in 2020 were due to energy savings from lighting activities in the commercial, small business and residential sectors.

We estimate actual electricity savings of 3,107,554 megawatt hours (MWh) and actual gas savings of 180,783 MWh were realised under the scheme in 2020. In addition, an estimated 16,473,699 MWh of electricity savings and 856,053 MWh of gas savings will be delivered over the next 10 years from energy saving activities implemented since the scheme commenced.

Compliance by Scheme Participants and Accredited Certificate Providers was high and better than in 2019. Of the 102 Scheme Participants operating in NSW, 89 met their individual energy savings target for 2020. The remaining 13 Scheme Participants did not surrender enough certificates to meet their individual energy savings target but complied with their energy savings shortfall obligation by electing to carry forward a small shortfall to 2021 or pay the shortfall penalty.

In 2020, 50 active Accredited Certificate Providers were operating in the ESS. There were one or more material instances of non-compliance identified across 7 Accredited Certificate Providers. One of these instances resulted in enforcement action with two penalty notices issued against one Accredited Certificate Provider. As in previous years, almost all non-compliance involved improper creation of certificates, though the number of improperly created certificates was less than half the number in 2019.

The increasing number and diverse nature of Scheme Participants continues to present challenges for regulating their compliance. Similarly, while Accredited Certificate Providers' compliance is generally improving as they become more experienced in the scheme, there are a number of ongoing and emerging compliance issues related to their operations. We are addressing these compliance challenges by increasing our proactive engagement activities, improving our guidance and better targeting our compliance activity.

A number of scheme developments in 2020-21 will shape the future direction of the scheme and impact our compliance and operations, including introducing the Energy Security Safeguard (Safeguard) which came into effect in legislation passed in May 2020. The Safeguard extends the operation of the ESS to 2050 and makes provisions for a new peak demand reduction scheme (PDRS).

Our focus for the year ahead for regulation and compliance

Water regulation and compliance

In our water regulation and compliance role we plan to:

- develop new frameworks and processes for our assessment and compliance functions under the new WIC Act, including transitioning of existing licences.
- develop a new WIC Regulation to support our licensing and compliance functions under the new WIC Act.
- audit the compliance of Sydney Water Corporation, Hunter Water Corporation and WaterNSW against their operating licences.
- complete a review of the statutory operating licence held by Hunter Water Corporation.
- continue to assess licence and variation applications, and to monitor compliance of licensees, under the WIC Act.
- undertake ongoing improvements to our licence application and auditing processes to improve efficiency and effectiveness.
- continue to investigate ways of improving compliance by all licensees.

Electricity network safety and reliability

In our electricity network safety and reliability role and our energy licensing and compliance role, we plan to:

- undertake risk-based activities to monitor and enforce compliance with the safety and reliability of electricity network service providers, with an audit of bushfire preparedness of the three major distribution network operators scheduled for 2020-21.
- continue to assess compliance of electricity networks against their licences, including reliability and critical infrastructure requirements.
- assess compliance of electricity networks against the requirements of the ES Act, including aspects of their safety management systems.
- monitor compliance of Ausgrid, Endeavour Energy and Essential Energy with the NSW Public Lighting Code.
- monitor compliance of gas distributors and reticulators against their licence and authorisation requirements.
- continue working with DPIE on the Gas Supply Act (1996) reform in relation to hydrogen and hydrogen blends.

Energy Savings Scheme

In our role administering the ESS, we plan to:

- continue to streamline our systems and processes
- continue to improve our engagement with stakeholders through improved communications, clearer guidance and ongoing dialogue with peak industry bodies
- work with the policy makers to improve scheme design to minimise the potential for non-compliance, and
- contribute to the development and implementation of the Energy Security Safeguard.

Meaningful engagement with a broader range of stakeholders

Considering a diverse range of perspectives helps us make better decisions

5751

submissions
received

14 

Public hearings and
increased access to
decision makers

39 

Consultation
papers released

18 

Final reports
published

We are focused on enhancing the quality of our work through meaningful engagement with our stakeholders and taking into account a broad range of perspectives as we deliver impartial, transparent and balanced decisions.

Engagement

Over 2020-21 we continued to adapt our methods for engagement to be fit for purpose and to make it easier for stakeholders to interact with us.

We used a range of methods including:

- regular meetings, workshops and consultation with entities we regulate, government agencies, and peak bodies
- hosting workshops, public hearings and regular email updates about our work to our subscribers
- providing opportunity for input through our submissions process including short web-based questionnaires and verbal submissions
- improving application and approval processes (e.g. applying human centred design principles to the design of our forms)
- greater use of social media platforms including Twitter, Facebook and LinkedIn.

We have broadened engagement over 2020-21 by providing options to interact with us in languages other than English and leveraging channels accessed by more people such as the NSW Government's 'Have Your Say' website.

We have continued to adapt to changing circumstances throughout the stages of the COVID pandemic. We successfully hosted hybrid in-person and online events. This was particularly important for our ongoing review of our regulatory framework for Water. We had 3 full days of hybrid workshops in the initial stages of this review to allow us consider in depth the issues and options with our stakeholders. We received positive feedback about this approach.

To encourage participation by a broader range of stakeholders we have continued to provide online options for our public hearings.

We also refreshed our templates and branding in 2020-21 and prepared to transition to a new web platform. Our more contemporary templates help us to present information in a more engaging way.

In 2021-22 we will continue to focus on:

- removing pain points in application processes and making submissions
- providing clear and timely information about our processes and how we use the information stakeholders provide us
- our new website which will support more streamlined interactions
- direct and balanced access of stakeholders to our Tribunal members through public forums and meetings.

Delivery of impartial, transparent and balanced decisions

Our credibility rests on applying sound regulatory principles of impartiality, transparency and balancing competing values and perspectives.

The factors we consider as we deliver our functions and reviews vary depending on our legislative powers or terms of reference but typically include:

- protecting consumers of regulated services from unreasonable price hikes and poor service
- ensuring that regulated service providers remain both efficient and financially viable
- encouraging competition where possible because of the benefits competition has for customers
- protecting the environment and considering the broader community impacts of our decisions.

Since the adoption of our strategic plan this year, we have increased our focus on climate change and the need for the entities we regulate to both mitigate it and adapt to it so they continue to sustainably provide quality services to customers over the long term. We are also preparing for an increased scope in our responsibilities to deliver the NSW Government's Energy Roadmap including an expanded role for the Energy Savings Scheme.

We maintain high levels of transparency so that stakeholders can participate as fully as possible in our processes and understand the reasons for our decisions and recommendations.

We publish information about how we make decisions and explain the decisions we have made. We make our methodology, models and consultant reports publicly available, subject to any confidentiality requirements. We also conduct hearings to encourage public understanding and debate and publish transcripts or summaries of these events as well as any agendas and presentation materials.

Promoting a healthy work culture

Our people are central to our success

117.4

Full-time equivalent employees



70%

senior executives are female



As at 30 June 2021, we had 134 people working in either a full-time or part-time basis. Our staff have diverse skills and experience and come from a range of backgrounds – including economics, engineering, law, science and business. This enables IPART to provide high quality independent decisions and advice for the benefit of the people of NSW.

Creating an attractive work environment

In 2020-21 we focussed on promoting a work environment with higher levels of job satisfaction. Our *2020 People Matter Employee Survey* results showed that IPART outperforms the sector on most measures but not on job satisfaction. Feedback from the survey also suggested a greater desire for autonomy and less hierarchy.

We implemented a range of measures to start to address the feedback including:

- streamlining our executive structure – this enabled us to move to a top level structure based on functions. We consolidated our pricing functions into a single division and our regulation and compliance functions were consolidate into a single division from 1 July 2021.
- reviewed our delegations to enable decisions to be made by those best placed to make them and providing more autonomy to our people – the new delegations will be implemented in 2021-22.
- provided more scope for non-executive staff to lead teams and projects.
- focussed our recruitment at more junior levels and reduced the number of senior executives to better balance our workforce composition. This included the recruitment of a record number of 6 graduates, who started with us in February 2021.

We were especially conscious of providing a safe and healthy work environment for our staff as the COVID 19 pandemic changed the way we work. We expect some of these impacts to be enduring. During 2020-21 we:

- completed a new fit-out of our office space which provides more options for collaborative activities. We provided choice for our people to work from home or in a well-designed office space (as COVID19 restrictions allowed).

- continued to support a very flexible approach to where and when our people work.
- promoted health initiatives through the corporate fitness program, weekly yoga classes (now online), influenza vaccinations and participating in Steptember.
- promoted our 'employee assist' program, which offers counselling, career and skill development services.
- encouraged teams to embed daily activities in their routine that promote their well-being during Mindful May.
- undertook Work Health and Safety inspections of our new office space.

Developing our people

We continue to provide opportunities for our people to have experiences that develop their capabilities to better enable us to deliver our functions and increase job satisfaction. We have significantly increased our budget for people development over the last two years reflecting the importance of a continuous learning culture.

Some of our activities in 2020-21 included:

- providing access to coaching for many of our people leaders, including 360-degree feedback assessments, particularly to support them as we transition to delegating more responsibility.
- undertaking several team workshops for the new Pricing and Policy Division to explore opportunities for different and more streamlined ways of working with our new structure.
- ongoing provision of tertiary study assistance for our people.
- providing access to technical seminars and training to keep our people up to date with contemporary practice.
- a tailored learning and development program for our cohort of graduates.

We offer regular internal training seminars in core regulatory capabilities including various economic techniques and approaches. We also supported the transition to new templates, branding and our new website by providing a comprehensive program of virtual and online training.

We adopted a schedule of mandatory training for our people to complete over the year to ensure we execute our work responsibly. These modules included Workplace Health and Safety, Privacy and Cyber-Security.

Chapter 3 >>

Our Leadership, Structure
and People

03

The Tribunal is our statutory decision-making body. The members are appointed by the Minister for Customer Service, and supported by a Secretariat providing analysis, research, advisory and administrative services.

The Tribunal

The Tribunal comprises three permanent members: a Chair and two Tribunal Members. The Minister for Customer Service may appoint any number of additional temporary members where required. There were no temporary members appointed for 2020-21.

The Chair and Tribunal Members are appointed for terms of up to five years on the basis of their knowledge and understanding of economics, the interests of consumers, and the interests of suppliers of services.

Our Chair, Paul Paterson retired in February 2021. Deborah Cope acted as Chair until 30 June 2021 and Mike Smart deputised as a Tribunal member for this period. Carmel Donnelly was announced as our new Chair to commence on 1 July 2021.

The Tribunal met 45 times in 2020-21.



Dr Paul Paterson
Chair

B AgEcon(Hons), M Econ, PhD

Chair from 11 February 2019 to February 2021.

Dr Paterson was previously appointed as an IPART Tribunal member in 2013, before taking up a senior role in the Commonwealth Government. He has 30 years' experience as an industry economist and has held senior roles in the private sector and in several Commonwealth and State government policy, research and regulatory bodies. Dr Paterson retired in February 2021.



Ms Deborah Cope
Tribunal Member

B Econ (Hons)

Acting Chair February to 30 June 2021

Deborah brings to the Tribunal more than 35 years' experience in Australian public policy and management. She was a Commissioner with the Victorian Competition and Efficiency Commission until 2015 and has operated a consulting business for 20 years.

Deborah was initially appointed to the Tribunal for a term of 6 months. This was extended for a further four and a half years to 2 February 2022.



Ms Sandra Gamble

Tribunal Member

BE (Hons), MBA

Sandra has many years' experience in regulatory economics, with a particular focus on water, energy and transport infrastructure and regulation. She has extensive experience sitting on boards and decision making bodies, currently holding a position as a Board Member on the New Zealand Electricity Authority.

Sandra was appointed for a term of five years to 8 December 2024.

Delegated powers

The Tribunal delegates some of its functions to committees and to the Secretariat to support timely and effective operations.

During 2020-21, the Tribunal delegated:

- certain functions to a Delegated Tribunal, which comprises Tribunal members Deborah Cope and Sandra Gamble. The terms of this delegation are wide ranging and allow, for example, to exercise the pricing and industry functions of the Tribunal except for the function of making a determination or issuing a report to the Minister. However, the Delegated Tribunal did not meet in 2020-21.
- its responsibilities for reviewing Local Government Contributions Plans under the *Environmental Planning and Assessment Act 1979* to a committee. The committee comprised Deborah Cope (Chair), Nicola Gibson and Pamela Soon. It met 8 times in 2020-21.
- its responsibilities for the Electricity Networks assets, relevant licensing, technical and safety functions under the *Electricity Supply Act 1995*, the *Electricity Supply (Safety and Network Management) Regulation 2014*, and the *Electricity Network Assets (Authorised Transactions) Act 2015* to a committee. The committee comprised Sandra Gamble (Chair), Deborah Cope and Brian Spalding and met 9 times in 2020-21.
- its responsibilities for the administration of the Energy Savings Scheme to a separate committee under the *Electricity Supply Act 1995*. The Minister for Energy and Environment approved this delegation. The Tribunal delegated scheme administrator and scheme regulator functions to a committee comprising Sandra Gamble, Brian Spalding and Fiona Towers. The committee met 17 times in 2020-21.
- certain functions to the CEO and other senior employees to enable them to make decisions on more routine matters.

The Secretariat

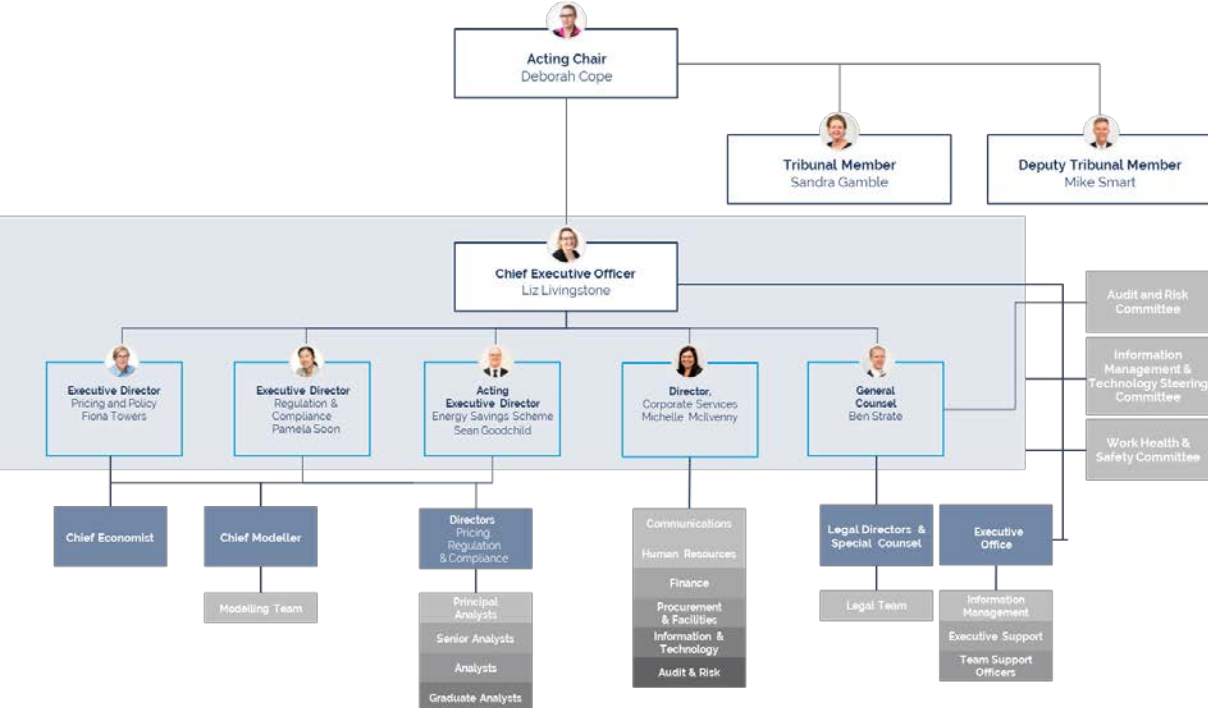
The Secretariat assists the Tribunal and its delegated committees by providing research, analysis, advice and recommendations as well as supporting investigations and public processes. The Secretariat includes:

- **The Chief Executive Officer** who manages four executive employees and the executive office. The CEO has delegated accountability from the Chair for the quality of our professional output, and for the general conduct and effective and efficient management of our functions and activities. The CEO attends Tribunal meetings to provide input to the Tribunal's decision-making process and to ensure teams have the best possible information to conduct reviews effectively.
- **A team of four executives** who together with the CEO form the Executive Leadership Team. This team is responsible for leadership of the organisation including its strategy, culture and business systems. Members of the team also lead their teams of professional, legal and corporate services employees, or provide specialised technical advice aimed at maintaining our high standards and ensuring we are at the frontier of economic regulation and scheme administration.
- **Professional/analytical employees** who work in industry-based teams, undertaking research, investigation and analysis to provide professional advice to the Tribunal members. These staff have a mix of skills in economics, finance, engineering, science, planning and modelling capabilities.
- **Legal employees** who provide advice on the legal issues that arise in carrying out our functions.
- **Corporate services employees** who provide information technology, finance, procurement, general administrative, communications and people support to the teams, and manage our processes, including the public registry, submissions, and the preparation and publication of reports and our website.

In addition, for some of our reviews, we commission consultants to undertake additional research and provide the Tribunal with the highest quality advice on complex topics.

Organisation Chart

This organisation chart is at 30 June 2021.



Chapter 4 >>

Financial Overview

2020-2021

04

Budget review 2020-21

Net Result

The actual net result for the year was \$19,000 and favourable to budget by \$803,000.

Total expenses including loss on disposal were higher than budget by \$428,000. Included in this was a \$1,389,000 increase in operating expenses offset by \$740,000 underspend in employee-related expenses and \$248,000 underspend in depreciation and amortisation. The increase in operating expenses was mainly due to program activities undertaken in accordance with the Climate Change Fund (CCF) grant from DPIE.

Total revenue was higher than budget by \$1,231,000, mainly due to \$1,375,000 unbudgeted CCF grant funding from DPIE.

Assets and Liabilities

Total assets were \$6,205,000 and were lower than budget by \$396,000. This is mainly due to a \$904,000 decrease in cash offset by \$453,000 increase in receivables. Increase in receivables included amounts owing from NSW government agencies on account of work commissioned, which were invoiced in June 2021.

Total liabilities were \$5,203,000 and were lower than budget by \$1,174,000 mainly due to a decrease in accounts payables.

Cash Flows

Net cash flows from operating activities comprised outgoings of \$1,188,000 and were higher than budget by \$1,070,000 mainly due to a \$2,681,000 increase in payments offset by \$1,611,000 increase in receipts.

Net cash flow from investing activities were \$14,000 and were lower than budget by \$166,000 mainly due to \$85,000 proceeds from transfer of plant and equipment to the Department of Customer Services and \$81,000 underspend in computer equipment

Outline budget for 2021-22

In 2021-22 IPART anticipates it will spend \$36,639,000 (\$31,349,000 recurrent and \$5,290,000 capital funding) on price setting activities for water, public transport and local government; regulating access to water and waste water to encourage competition and re-use; conducting special reviews at the Government's request, on issues such as pricing, efficiency, industry structure and competition; and administering the Energy Savings Scheme.

The new Energy Security Safeguard is required to be implemented by IPART by 1 July 2022. Comprehensive program planning has commenced which includes detailed resource plans and an approach to procuring a new technology solution to manage the scheme.

Appendices



Appendix A >>

Legislative Functions



Overview

IPART has a wide range of legislative functions, including some functions that we do not necessarily undertake each year (for example investigating competitive neutrality complaints).

A.1 Principal legislation under which IPART operates

IPART was established under the *Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act)*. It has functions under the IPART Act and also under other Acts such as the *Gas Supply Act 1996*, *Electricity Supply Act 1995*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *WaterNSW Act 2014*, *Central Coast Water Corporation Act 2006*, *Water Industry Competition Act 2006*, *Passenger Transport Act 2014*, *Transport Administration Act 1988*, *Point to Point Transport (Taxis and Hire Vehicles Act) 2016*, *Cemeteries and Crematoria Act 2013*, *Local Government Act 1993* (under Ministerial delegation) and *Electricity Infrastructure Investment Act 2020*. Further discussion of the legislation under which IPART operates is set out in sections [A.2](#) to [A.14](#) below.

IPART also has certain relatively minor functions under Acts such as the *Crown Land Management Act 2016*, *Snowy Hydro Corporatisation Act 1997*, *Forestry Act 2012*, *Electricity Network Assets (Authorised Transactions) Act 2015*, *Motor Accidents Compensation Act 1999*, *Biofuels Act 2007* and *Environmental Planning and Assessment Act 1979*.

A.2 IPART Act

Under the IPART Act, IPART has a number of major roles including:

- regulating prices and reviewing pricing policies of government monopoly services
- undertaking reviews referred to it in relation to industry, pricing or competition
- providing assistance to other agencies
- arbitrating access disputes in relation to public infrastructure access regimes
- registering access agreements
- regulating water, electricity and gas licences
- investigating complaints under the competitive neutrality regime.

A.2.1 Regulating prices and reviewing pricing policies

Under the IPART Act, IPART conducts investigations and makes reports to the relevant Minister on the determination of maximum prices for specified government monopoly services supplied by government agencies. It also conducts periodic reviews of the pricing policies of specified government monopoly services.

A service may be declared to be a government monopoly service if it is a service:

- for which there are no other suppliers to provide competition in the part of the market concerned
- for which there is no contestable market by potential suppliers in the short term.

There are two main ways in which IPART's investigations may be initiated. The first is by standing reference. In particular, section 11 of the IPART Act provides that IPART is to initiate investigations of government monopoly services supplied by those government agencies for which IPART has a standing reference (with such agencies being listed in Schedule 1 of the IPART Act).

The government agencies for which IPART currently has a standing reference are:

- Sydney Water Corporation
- Hunter Water Corporation⁵
- water supply authorities constituted under the *Water Management Act 2000*
- county councils established for the supply of water
- Roads and Maritime Services
- Department of Family and Community Services
- Port Corporations or other relevant port authorities within the meaning of Part 5 of the *Ports and Maritime Administration Act 1995*
- Water Administration Ministerial Corporation
- Essential Energy
- WaterNSW.⁶

As the services of some agencies listed above have not been declared to be monopoly services, IPART may not initiate pricing investigations for those services under section 11 of the IPART Act.

⁵ But excluding any water or sewerage services provided by Hunter Water Corporation in respect of the Dungog local government area prior to the commencement of the Tribunal's first determination made under section 11 of the IPART Act for Hunter Water Corporation after the commencement of the *Independent Pricing and Regulatory Tribunal Amendment (Hunter Water) Regulation 2008*.

⁶ But excluding any services provided by WaterNSW in respect of which fees and charges may be approved or determined in accordance with Part 6 or 7 of the *Water Charge (Infrastructure) Rules 2010* (Cth) or the applied provisions, within the meaning of Part 3B.

The second way in which an investigation by IPART may be initiated is by a reference from the Minister for Customer Service. Under section 12 of the IPART Act, the Minister for Customer Service may require IPART to determine the maximum price or carry out a review of pricing policies in respect of a specified government monopoly service, including those supplied by government agencies that are the subject of a standing reference. IPART may ask the Minister for Customer Service to make a particular reference under these provisions.

Public participation and access to information

The IPART Act contains a number of provisions to ensure that IPART's activities are conducted through a public process. The main requirement is that IPART must hold at least one public hearing for each pricing or access investigation. IPART may seek public participation by:

- advertising public hearings
- seeking public comments on terms of reference
- providing public access to submissions
- inviting public comment on issues and submissions
- holding public seminars and workshops
- releasing reports and determinations to the public.

IPART must make a document obtained by IPART in connection with an investigation available for inspection on request, unless the document contains information that IPART would not be required to disclose under the *Government Information (Public Access) Act 2009*. If a document contains such information, the IPART Act provides that IPART has the discretion to release it following consultation, if satisfied that it will not damage commercial or other interests.

Matters IPART must consider

Under section 15 of the IPART Act, IPART is required to have regard to a range of matters when making determinations and recommendations under the Act, and to report on what regard it has had to each in reaching the particular determination or recommendation. These matters are (in addition to any other matters IPART considers relevant):

- the cost of providing the services concerned.
- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services.
- the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales.
- the effect on general price inflation over the medium term.
- the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers.
- the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment.

-
- the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets.
 - the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body.
 - the need to promote competition in the supply of the services concerned.
 - considerations of demand management (including levels of demand) and least cost planning.
 - the social impact of the determinations and recommendations.
 - standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

The Minister for Customer Service may also require IPART to consider specific matters, in addition to the section 15 matters, in its investigations.

How IPART sets maximum prices

IPART may set maximum prices in either of two ways. The first way is by determining maximum prices. Under section 14 of the IPART Act, IPART may fix the prices in any way it considers appropriate, including fixing:

- an average price for a number of categories of service
- a percentage increase or decrease in existing prices
- an average percentage increase or decrease in existing prices for a number of categories of the service
- a specified price for each category of the service.

IPART may fix such a price by reference to:

- a general price index
- the government agency's economic cost of production
- a rate of return on the assets of the government agency.

The second way is by establishing a methodology for determining maximum prices. IPART may only do this if it considers that it is impractical to fix maximum prices directly. A methodology may be made in any manner that IPART considers appropriate, including by reference to maximum revenue, or maximum rate of increase or minimum rate of decrease in maximum revenue, for a number of categories of the service concerned.

In determining the maximum price for a government monopoly service, IPART may be directed by a portfolio Minister to include an amount representing the efficient cost of complying with a Ministerial directive or a requirement imposed on the agency under a licence, authorisation or statutory instrument.

Implementing maximum prices

Agencies which are subject to IPART's determinations are not permitted to levy prices which exceed the maximum prices determined by IPART. Under section 18 of the IPART Act, the approval of the Treasurer is required if an agency wishes to charge a price below the maximum price.

Compliance

In their annual reports, all agencies subject to IPART's determinations made under the IPART Act must report on how they have implemented the maximum prices. Agencies must also provide information on whether IPART recommendations to which they are subject have been implemented, and reasons for any non-implementation.

Release of reports and determinations

IPART submits its reports for price determinations under the IPART Act to the Minister for Customer Service. Any determination must be published in the NSW Government Gazette as soon as practicable. Reports must be made available for public inspection, tabled in Parliament, and placed in the Parliamentary Library.

A.2.2 Reviewing industries, pricing or competition

Under section 12A of the IPART Act, the Minister for Customer Service may require IPART to conduct investigations and make reports on any matter with respect to industry, pricing or competition. In contrast to the review provisions of sections 11 and 12 of the IPART Act, these reviews are not restricted to government monopoly services and may cover both government and private industry issues. In carrying out reviews under section 12A, IPART is not specifically required to have regard to the various matters listed in section 15 of the IPART Act.

A.2.3 Providing assistance to other agencies

Under section 9 of the IPART Act, the Premier may approve the provision of services by IPART to any government agency or other body or person (public or private), where those services are in areas within IPART's field of expertise and relevant to its functions. In entering into any arrangement to provide services, IPART has a duty to ensure that giving effect to the arrangement will not interfere with its ability to exercise its usual functions. Several examples are shown in [Our performance](#) section of this report.

During the financial year 2020-21, IPART continued or completed two notable special reviews on:

- electricity distribution reliability standards; and
- the efficiency and effectiveness of the NSW Home Building Compensation Fund.

A.2.4 Arbitrating access disputes

Under Part 4A of the IPART Act, any dispute with respect to a public infrastructure access regime that provides for the application of Part 4A may be subject to arbitration by IPART. In carrying out these arbitration functions, IPART may appoint an arbitrator from a panel approved by the Minister for Customer Service or may undertake the arbitration itself. The *Commercial Arbitration Act 2010* applies to such an arbitration, subject to the provisions of the IPART Act and any regulations made under section 29 of the IPART Act.

A.2.5 Registering access agreements

Sections 12B and 12C of the IPART Act require a government agency to notify IPART of any access agreements into which it proposes to enter or has entered. IPART may provide advice on the proposed agreement to the agency and to the Minister for Customer Service. IPART is required to register all access agreements (section 12C).

A.2.6 Investigating complaints under competitive neutrality regime

IPART has a role in investigating and reporting on competitive neutrality complaints under the Competition Principles Agreement,⁷ so far as they are applicable to public authorities. If certain conditions are met, the Minister for Customer Service may refer to IPART, for investigation and report, a complaint about a public trading agency's failure to comply with (or misapplication of) the competitive neutrality principles. The IPART Act specifies the processes IPART is to follow in investigating such a complaint (Part 4C).

A.2.7 Investigating and reporting in relation to SafeWork NSW

Section 12AA of the IPART Act enables IPART to conduct investigations and make reports on such matters relating to the operational costs and expenses of SafeWork NSW as are referred to the Tribunal by the relevant Minister.

A.2.8 Approval or determination of Murray-Darling Basin water charges

Part 3B of the IPART Act enables IPART to approve or determine charges for the provision of certain water infrastructure services in the Murray-Darling Basin.

⁷ The Competition Principles Agreement was made on 11 April 1995 by the Commonwealth, the Territories and the States.

A.3 Licensing

IPART is responsible for ensuring various regulated entities meet their licence requirements. Under the IPART Act, *Electricity Supply Act 1995*, *Gas Supply Act 1996*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *WaterNSW Act 2014* and *Central Coast Water Corporation Act 2006*, IPART is responsible for matters such as making recommendations to the relevant Minister with respect to:

- granting, varying, transferring or cancelling a licence (or authorisation in the case of the gas industry)
- taking action or applying sanctions in response to a contravention of the conditions of a licence
- taking any remedial action as a result of a contravention of the conditions of a licence.

IPART is also responsible under the *Water Industry Competition Act 2006* for matters such as making recommendations to the relevant Minister with respect to granting licensing applications for private providers of water and sewerage infrastructure services.

In recent years, IPART has adopted a risk-based approach when making recommendations to the Minister on the terms of licences.

To fulfil its roles under these Acts, IPART also monitors licence compliance and reports annually to the relevant Minister regarding such compliance. IPART also has specific licence auditing responsibilities for the electricity and water industries.

In addition to making recommendations to the Minister, IPART has limited powers to impose monetary penalties or require a utility to take remedial action in certain circumstances.

A.4 Energy price monitoring

IPART has functions under certain national energy laws. Most significant of these is IPART's role of Market Monitor under the *National Energy Retail Law (NSW)*. As Market Monitor, IPART monitors and reports annually on the performance and competitiveness of the New South Wales retail electricity and retail gas markets for small customers.

A.5 Transport pricing regulation

A.5.1 Passenger Transport Act 2014

The *Passenger Transport Act 2014* provides a framework for regulating public transport services. Under this Act, a referral may be made to IPART to set maximum fares for public passenger services. In making its determinations or recommendations, IPART is to consider the following matters:

- the cost of providing the services
- the need for greater efficiency in the supply of services to reduce costs for the benefit of consumers and taxpayers
- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service
- the social impact of the determination or recommendation
- the impact of the determination or recommendation on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport
- standards of quality, reliability and safety of the services (whether those standards are specified by legislation, agreement or otherwise)
- the effect of the determination or recommendation on the level of Government funding
- any matters specified in the referral to IPART
- any other matter IPART considers relevant.

IPART also has functions under the NSW Rail Access Undertaking and the *Transport Administration Act 1988*.

In April 2020, IPART received a referral to determine appropriate maximum fares for rural and regional bus services from 1 January 2021 to 31 December 2025. IPART provided the final report to the Minister for Regional Transport and Roads in December 2020.

In April 2021, IPART received a referral to determine appropriate maximum fares for private ferry services from 1 January 2022 to 31 December 2025. IPART will provide its final report by December 2021.

A.5.2 Point to Point Transport (Taxis and Hire Vehicles Act) 2016

Parts 4 and 5 of the *Point to Point Transport (Taxis and Hire Vehicles Act) 2016* authorise IPART, with Ministerial referral, to:

- Investigate and report to Transport for New South Wales with a recommendation as to the number of taxi licences to be issued for a specified period
- Make recommendations to the relevant Minister on the appropriate maximum fares for point-to-point passenger services.

A.6 Greenhouse Gas Reduction Scheme

The NSW Greenhouse Gas Reduction Scheme (Scheme) closed on 1 July 2012. The final accreditation under the Scheme was cancelled in September 2017. Although no new certificates are being issued under the Scheme, there are still over 3 million active certificates. IPART, as Scheme Administrator, has retained certain powers under the *Electricity Supply Act 1995* pending finalisation of all Scheme related matters.

A.7 Energy Savings Scheme

In May 2020, the *Electricity Supply Act 1995* was amended to introduce the Energy Security Safeguard. The object of the safeguard is to improve the affordability, reliability and sustainability of energy through the creation of financial incentives that encourage the consumption, contracting or supply of energy in particular ways. The safeguard consists of a variety of 'schemes', and the NSW Energy Savings Scheme (ESS) is the first such scheme (although the ESS originally commenced on 1 July 2009).

The ESS is designed to create a financial incentive to reduce the consumption of energy by encouraging energy saving activities. It sets out energy savings targets and imposes an obligation on NSW electricity retailers (and certain other parties) to surrender sufficient energy savings certificates to meet their individual energy savings targets.

IPART functions as both the ESS scheme administrator and the ESS scheme regulator, and is responsible for assessing applications, accrediting parties to undertake eligible activities and to create certificates, monitoring ESS compliance and monitoring the performance of the ESS participants. IPART also manages the registration and transfer of certificates created from recognised energy savings activities.

A.8 Local Government

IPART performs functions relating to local government under:

- terms of reference under section 9 of the IPART Act
- delegation by the Minister for Local Government under the *Local Government Act 1993*.

IPART's functions relating to local government include:

- developing a local government cost index and productivity factor
- reviewing council development contributions plans under the *Environmental Planning and Assessment Act 1979* and reporting to the Minister for Planning and Public Spaces and the relevant councils on IPART's assessment of the contributions plans
- determining the rate peg for general council income
- determining annual charges for domestic waste management services
- determining applications by councils for special variations and minimum rate amounts under the *Local Government Act 1993*.

IPART must report annually on its local government functions.

In May 2021, the *Local Government Act 1993* was amended. These amendments:

- allow IPART (as the delegate of the Minister for Local Government) to specify different rate pegs for different councils or apply a methodology for calculating different rate pegs for different councils
- allow for the gradual harmonisation of rates across merged councils over 8 years, instead of 4 years
- exclude from the definition of "general income" fire and emergency services levies payable under the *Fire and Emergency Services Levy Act 2017*.

IPART commenced, continued and/or concluded the following reviews in 2020-21 in relation to local government:

- November 2019, IPART commenced a review of domestic waste management charges levied by NSW local councils and is currently reviewing submissions.
- October 2020, IPART received a request from the Minister for Planning and Public Spaces to commence a targeted assessment of revised open space embellishment costs in Blacktown City Council's revised Section 94 Contributions Plan No. 21 – Marsden Park (CP21). IPART sent the final report to the Minister in February 2021.
- December 2020, received a request from the Minister for Local Government to commence a review of the rate peg to include population growth. IPART will be presenting the final report to the Minister in September 2021.
- April 2021, IPART commenced its review of the Hills Shire Council's Contribution Plan No.18 – Bella Vista and Kellyville Station Precincts. The review is expected to be concluded in November 2021.
- June 2021, IPART commenced its review of Lane Cove Council's St Leonards South Precinct and is currently inviting submissions on its draft report.

A.9 Water Infrastructure Pricing

In September 2015, the Australian Competition and Consumer Commission (ACCC) made a decision to accredit IPART under Part 9 of the *Water Charge (Infrastructure) Rules 2010* (Cth) (WCIR). Under its accreditation, IPART has the functions of a "Regulator" under the WCIR in relation to prices for bulk water services provided by WaterNSW (formerly the State Water Corporation) to customers in the Murray-Darling Basin.

The *Water Charge Rules 2010 (Cth)* (WCR) came into effect on 1 July 2020. As a result, in future WaterNSW pricing reviews, IPART will not be setting prices for bulk water services provided by WaterNSW under the Commonwealth regime. Either the ACCC will have jurisdiction to set prices or IPART will have jurisdiction under the IPART Act to set prices.⁸

A.10 Electricity Infrastructure & Licensing

A.10.1 Electricity Supply Act 1995

As part of the NSW Government's leasing of electricity network assets, relevant licensing, technical and safety functions were transferred to IPART under the *Electricity Supply Act 1995* and the *Electricity Supply (Safety and Network Management) Regulation 2014*. These functions include:

- administering the reporting and performance auditing of electricity network operators
- compliance auditing of electricity network operators
- appointing inspectors to inspect electrical installations and electrical delivery equipment and the investigation of serious electricity works accidents
- advising on the exercise of emergency or step-in powers by the relevant Minister or exercising such powers.

In 2020-21, IPART also had functions in relation to the enforcement of employment guarantees under the *Electricity Network Assets (Authorised Transactions) Act 2015*. The 5-year employment guarantees period ended on 30 June 2020. However, the guaranteed apprenticeship intake requirement continued to apply, so IPART continued to have monitoring and enforcement functions under that Act in 2020-21.

A.10.2 Electricity Infrastructure Investment Act 2020

The *Electricity Infrastructure Investment Act 2020* commenced on 3 December 2020. It requires:

- an "Energy Savings Target Monitor" (the Monitor) to calculate an energy security target for each year, up to ten years into the future, and report on whether there is likely to be enough firm capacity to meet the target; and
- a "regulator" to review a plan for the NSW renewable energy sector and to determine the amounts to be paid:
 - to network operators who undertake network infrastructure projects and priority transmission projects; and
 - by distribution network service providers into a fund which will pay for those projects.

⁸ Under the *Water Charge Rules 2010 (Cth)*, if WaterNSW is a Part 6 operator and is not granted an exemption, the ACCC will have jurisdiction for setting its prices for bulk water services. Alternatively, if the ACCC decides WaterNSW is a Part 6 Operator and grants an exemption, IPART will have jurisdiction for setting prices under the IPART Act.

IPART is the default Monitor and regulator, but the Minister can appoint someone else to those roles instead.

A.11 Governance of State insurance and care schemes

Under section 25 of the *State Insurance and Care Governance Act 2015*, IPART may, at the request of the relevant Minister, conduct an investigation and report to that Minister on such matters relating to the operational costs and expenses of the State Insurance Regulatory Authority (SIRA) as are determined by the Minister.

A.12 Arbitrating insurance premiums

Additional functions have been conferred on IPART in relation to arbitrating insurance premium disputes. These functions allow IPART to act as arbitrator to hear and determine arbitrations between insurers and SIRA where proposed insurance premiums have been rejected by SIRA under the *Workers Compensation Act 1987*; the *Home Building Act 1989*; and Division 2.3 of the *Motor Accidents Injuries Act 2017*.

A.13 Determination of a wholesale price for ethanol

Part 3A of the *Biofuels Act 2007* confers on IPART the function of:

- determining, and periodically reviewing, a reasonable wholesale price for ethanol for use in the production of petrol-ethanol blend
- monitoring the retail market for petrol-ethanol blend and making reports to the relevant Minister on the effect of IPART's determination on that market.

A.14 Investigations of interment costs and pricing

Under section 145 of the *Cemeteries and Crematoria Act 2013*, IPART is required to conduct investigations of interment costs and the pricing of interment rights with regard to:

- the relativity of costs and pricing factors for perpetual and renewable interment rights; and
- full-cost pricing of perpetual interment rights, including perpetual care of interment sites and cemeteries.

IPART completed two reviews under this section in 2020-21. The first review was of interment costs and pricing in NSW. This review commenced in May 2019 and the final report was released in November 2020.

IPART also commenced its review of competition, costs and pricing in the Funeral Industry in October 2020 and issued its final report to the Minister for Better Regulation and Innovation in June 2021.

Appendix B >>

Directions under s16A of IPART Act

B

Under section 16A of the IPART Act, the portfolio Minister for a government agency may direct IPART to include in a price determination, for a government monopoly service provided by the agency, an amount representing the efficient costs to an agency of complying with a specified requirement imposed on the agency. Such a requirement may only be imposed by or under a licence or authorisation, by ministerial direction under an Act, or some other requirement imposed by or under an Act or statutory instrument.

A portfolio Minister may only give a section 16A direction to IPART after consulting with IPART and obtaining the Minister for Customer Service's approval. Once IPART is given a direction under section 16A, it must comply with the direction. The Tribunal must also set out the terms of such a direction and explain the manner in which it has complied with the direction in the relevant price review report.

No section 16A directions were received during the reporting period.

Appendix C >>

Tribunal activities



Table C.1 Tribunal meetings held in 2020-21

Type of Meeting	Number Held	Attendees and number of Meetings attended
Tribunal	45	Paul Paterson, Chair ^a (23/45)
		Deborah Cope, Tribunal Member ^b (45/45)
		Sandra Gamble, Tribunal Member (44/45)
		Mike Smart, Deputy Tribunal Member ^c (22/22)
Local Government Committee	8	Deborah Cope, Chair (8/8)
		Nicola Gibson, Committee Member (7/8)
		Pamela Soon, Committee Member (8/8)
Energy Network Regulation Committee	9	Sandra Gamble, Chair (9/9)
		Deborah Cope, Tribunal Member (9/9)
		Brian Spalding, Committee Member (9/9)
Energy Savings Scheme Committee	17	Naveena Rajaretnam, Committee Member ^d (4/4)
		Sandra Gamble, Chair (17/17)
		Brian Spalding, Committee Member ^e (16/17)
		Fiona Towers, Committee Member (17/17)

a. a Paul Paterson last Tribunal meeting 11 February 2021.

b. b Deborah Cope was the Acting Chair for 22 meetings for which the Chair was absent.

c. c Mike Smart, appointed Deputy Tribunal Member for Chair for 22 meetings.

d. d Naveena Rajaretnam first Energy Network Regulation Committee 18 February 2021.

e. e Brian Spalding last Energy Savings Scheme Committee meeting 17 June 2021.

Public hearings and forums

Table C.2 Public Hearings and forums held in 2020-21

Date	Investigation	Location
Water		
17 November 2020	Review of Water Management prices from 2021	Online
17 November 2020	WaterNSW rural bulk water prices from 1 July 2021	Online
23 March 2021	How we regulate the water businesses - Workshop 1 Lifting Performance	Rydges, World Square, Sydney
30 March 2021	Review of Water Management prices from 2021	Online
30 March 2021	WaterNSW rural bulk water prices from 1 July 2021	Online
10 May 2021	How we regulate the water businesses - Workshop 2 - Promoting the customer focus	Rydges, World Square, Sydney
21 June 2021	How we regulate the water businesses - Workshop 3 - Encouraging innovation	Rydges, World Square, Sydney
Energy		
16 November 2020	Electricity Distribution Reliability Standards 2020	Online
9 March 2021	Solar feed in tariff benchmarks 2021-22 to 2023-24	Online
Transport		
20 October 2020	Rural and Regional Bus Fares 2021-2025	Online
Local Government		
9 September 2020	Review of domestic waste management service charge	Online

Date	Investigation	Location
Other Industries		
17 September 2020	Interment costs and pricing in NSW	Online
29 September 2020	Home building compensation in NSW	Online
29 April 2021	Competition costs and pricing in the NSW Funeral Industry	Online

Submissions to projects during 2020-21

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2020-21 and received a total of 5751 submissions.

Table C.3 Submissions received in 2020-21

Projects	Submissions
Water	
Public Water utility operational audits 2021 – Fact Sheet	1
Application for a network operator's licence – 67 Kurrajong Road	4
Application for a retail supplier's licence variation - 67 Kurrajong Road	4
How we regulate the water businesses - Lifting Performance in the water section – Discussion Paper	12
How we regulate the water businesses - Regulating water businesses - Position paper	12
Review of Water Management prices from 2021 – Draft Report	30
Review of Water Management prices from 2021 – Issues Paper	16
Updates to the WIC Act Audit Services Panel – Consultation	1
Review of WaterNSW rural bulk water prices from 1 July 2021 – Draft Report	70
Review of WaterNSW rural bulk water prices from 1 July 2021 – Fact Sheet	6
Review of WaterNSW rural bulk water prices from 1 July 2021 – Issues Paper	22
Transport	
Rural and Regional Bus Fares 2021 – 2025 – Consumers Issues Paper	17
Rural and Regional Bus Fares 2021 – 2025 – Draft Report	8
Energy	
Application for gas distributor licence - Jemena Gas Networks - hydrogen project – Fact Sheet	2
Electricity Distribution Reliability Standards – Draft Report	7
Approach to determining wholesale ethanol prices – Draft Report	4
Monitoring the Electricity Retail Market - 2019-2020 - Draft Report	4
Monitoring the Gas Retail Market - 2019 – 2020 – Draft Report	1
Solar feed-in tariff benchmarks 2021-22 to 2023-24 – Draft Report	12
Solar feed-in tariff benchmarks 2021-22 to 2023-24 – Issues Paper	22
Energy Savings Scheme Draft Engagement Charter	5
Local Government	
LG Application – Special Variation & Minimum Rates 2021-22	5218
Review of domestic waste management services - Local council domestic waste management charges - Discussion Paper	112
Review of The Hills Shire Council's revised Contributions Plan no 15 - Box Hill (2020) – Draft Report	3
Review of the rate peg to include population growth – Issues Paper	64

Projects	Submissions
Targeted assessment of revised open space embellishment costs in Blacktown City Council's revised Section 94 Contributions Plan No. 21 - Marsden Park (CP21) – Draft Report	2
Other	
Review of Competition costs and pricing in the NSW Funeral Industry – Draft Report	16
Review of competition, costs and pricing in the funeral industry – Issues Paper	29
Efficiency and Effectiveness of the NSW Home Building Compensation Fund – Draft Report	18
Review of the costs and pricing of interment in NSW - Draft Report	27
Review of Fire and Rescue NSW's fees and charges – Draft Terms of Reference	2

The number of submissions listed are only those received in 2020-21. The total number of submissions to a paper can be found on our [website](#).

Appendix D >>

Human Resources

D

Senior Executives

IPART's executive employees are employed under contract as Public Service Senior Executives under the provisions of the *Government Sector Employment Act 2013*. No performance-related payment (bonus) was made to any Executive employees.

Executive remuneration represents 31% of the overall salaries-related expenses for 2020-21, compared to 33% in 2019-20.

Table D.1 Number of roles and gender breakdown at 30 June 2021

Band	2019-20		2020-21	
	Female	Male	Female	Male
Band 3 (Deputy Secretary)	1	0	1	
Band 2 (Executive Director)	2	2	3	1
Band 1 (General Manager/Director)	10	8	12	7
Total	13	11	16	8

Note: only executives occupying a role – excludes secondments out /LWOP/Mat leave. Band4 Secretary classification resigned in Feb 2021

Table D.2 Average total remuneration package at 30 June 2021

Role	Range 2019-20	2019-20 ^a		2020-21 ^b	
		Female	Male	Female	Male
Band 3	\$345,551-\$487,050	\$382,325	NA	\$382,325	NA
Band 2	\$274,701-\$345,550	\$315,398	\$306,453	\$297,752	\$289,163
Band 1	\$192,600-\$274,700	\$231,177	\$224,714	\$225,658	\$222,993

a. 2019-2020 remuneration reflects average actual remuneration paid

b. 2020-2021 remuneration reflects average Total Remuneration Packages

Tribunal Member remuneration

Table D.3 Average remuneration as at 30 June 2021^a

Role	2020-21
Tribunal Chair	\$316,000
Tribunal Member ^b	\$141,629

a. Premier's Memorandum M2012-18 Classification and Remuneration Framework for New South Wales Government Boards and Committees

b. Excludes remuneration of Mike Smart who deputised as a Tribunal member for 22 meetings in 2020-21 as he is remunerated as a full-time Senior Executive at IPART.

Staff

Our employees are employed under the provisions of the *Government Sector Employment Act 2013 (GSE Act)*. The *GSE Act* along with associated rules and regulations, the *Crown Employees (Independent Pricing and Regulatory Tribunal) Award 2019* and the *Crown Employees (Public Service Conditions of Employment) Award 2009* set the salaries and working conditions for employees.

There were no significant changes to IPART's Award. The relevant industrial agreements were varied to increase salaries and salary based allowances for our employees by 0.3%, effective 1 July 2020.

Table D.4 Employee including Tribunal and Chair profile by employment category as at 30 June 2021

	2018	2019	2020	2021
Chief Executive	1	1	1	1
Executive Directors & General Managers	5	5	4	3
Director Corporate Services & CFO	1	2	1	1
Directors	16	15	16	13
Managers	4	3	6	6
Analysts	68	76	73	74
Graduate Analysts	1	1	1	6
General Counsel	1	1	1	1
Director, Legal & Special Counsel	3	3	4	4
Legal Officers	5	6	3	5
Support Officers	23	22	15	16
Supernumeraries	0	0	0	0
Casual Employees	4	2	0	0
Temporary Employees	0	0	0	4
Total number of employees includes full time, part-time, temporaries and graduates	132	137	125	134
Chair	1	1	1	1
Tribunal Members	2	2	2	1
Total number of Employees including members	135	140	128	136

Note: The Chair (Statutory Appointee) resigned in February 2020 and an existing Tribunal member acted in the role. A new Chair commenced in July 2021.

In previous reporting periods, the Chair has been reported as SES Band 4 in error, when the position should have been classified as a Statutory Appointee. For the 2021 Workforce Profile Report the Chair role has now been classified as Statutory Appointee and is also now reflected in this year's Annual Report.

Industrial Relations

There were no significant Industrial disputes or changes to IPART's Award. The Award covering IPART employees was varied to increase salaries and salary-based allowances by 0.3%, effective 1 July 2020. This was a result of a decision by the Industrial Relations Commission of NSW following application by the Industrial Relations Secretary and Unions. The low percentage was representative of the impact of COVID within NSW. The Statutory and Other Offices Remuneration Tribunal (SOORT) determined not to increase Public Service Senior Executive remuneration.

Diversity and inclusion

IPART recognises that an inclusive workplace and a workforce that reflects the diversity of the people of NSW helps us to deliver better outcomes for customers and communities. We aim to create an environment where all of our people are able to contribute at their best and that is an attractive place for people from all backgrounds to work. Over the reporting period IPART recorded an increase in some aspects of workforce diversity. However, we are committed to continue to increase our diversity across a wide range of attributes including age, cultural background, gender, people with disability, and neurodiversity to better reflect the people we serve.

Table D.5 Trends in the representation of Workforce Diversity groups as at 30 June 2021

Workforce Diversity Group	Benchmark	2019	2020	2021
Women	50%	60.2%	60.6%	59.2%
Aboriginal and/or Torres Strait Islander People	3.3%	0.0%	0.8%	2.6%
People whose First Language Spoken as a Child was not English	23.2%	13.5%	15.7%	26.4%
People with Disability	5.6%	0.0%	0.0%	1.9%
People with Disability Requiring Work-Related Adjustment	N/A	0.0%	0.0%	0.0%

Source: NSW IPART 2020-21 Workforce Profile

Note 1: The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

Note 2: Premiers Priorities for the NSW public sector is to drive public sector diversity by 2025 by increase the number of Aboriginal people in senior leadership roles.

Note 3: In June 2019 the NSW Government announced the target of 5.6 per cent of government sector roles held by people with a disability.

Table D.6 Trends in the distribution of Workforce Diversity groups

Workforce Diversity Group	Benchmark/Target	2019	2020	2021
Women	100	100	100	103
Aboriginal People and Torres Strait Islanders	100	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	N/A	97	94
People with a Disability	100	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

Note 1: A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Note 2: The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

Source: NSW IPART 2020-21 Workforce Profile

Investigations by the regulator under Part 10 of the Work Health and Safety Act 2011

No investigations were carried out under Part 10 of the *Work Health and Safety Act 2011*.

Appendix E >>

Corporate Governance

E

Privacy Management

We are committed to protecting the personal information provided to us. Personal information provided to IPART is not disclosed or re-used for another purpose, unless consent is given to such disclosure or use, or we are required or permitted to do so by law. We finalised our Privacy Management Plan in 2020-21 and we published it on our website. No complaints or requests for internal reviews were received during the reporting year. Employees undertook compulsory privacy training in 2020-21 and new employees are briefed on the Plan as it relates to their role during on-boarding.

Policies and Programs

IPART provided advice and support to staff members on working conditions, policies, processes and performance. We continued to review policies and procedures so that staff are provided with current information that is easy to use and understand and is aligned to the public sector provisions and best practice.

IPART applies a consultative process with all staff when reviewing and updating policies and procedures. Feedback is consolidated and if appropriate, incorporated into published policies and procedures. Where appropriate, working groups are established or internal reference groups, such as the Work Health and Safety Committee, are engaged to lead the development and implementation.

Asset Management Plan

IPART was provided a 2-year exemption from compliance with *Asset Management Policy TPP19-07*.

Public Interest Disclosures

We recognise the value and importance of employees raising concerns when they see something they believe is wrong, and our internal reporting policy encourages employees to do this. Our policy framework was developed in accordance with the requirements of the *Public Interest Disclosures Act 1994* and approved effective May 2018. Our policy commits IPART and senior employees to handle these disclosures effectively and provide support to the employees making them. Staff are reminded of the policy annually and have access to the Public Interest Disclosures policy from the staff intranet.

During the reporting period, no public officials made a public disclosure to the agency. The agency reports no public interest disclosures for the reporting period.

Consumer Enquiries Response

IPART is committed to handling feedback and complaints courteously, equitably, and respecting the privacy of the person making the complaint. All complaints or enquiries are recorded and, where relevant, registered as submissions to any current review.

In IPART's role in Local Government we received 8 complaints relating to competitive neutrality issues and domestic waste charges. We also received a about 30 complaints from ratepayers concerned about the size of individual rate increases. IPART's role for rates is limited to determining the rate peg, and applications by councils for special variations to general income above the rate peg. Councils have discretion to set increases in individual rates, provided their overall general income is within the rate peg hence we do not determine individual rate increases which can exceed the rate peg.

Complaints about water pricing increased from 4 to 11 in 2020-21. These complaints concerned metering charges, developer charges, pensioner rebates and sewerage charges. We responded to the complaints or referred them to the relevant organisation.

One customer complaint was received relating to water licensing regarding low water pressure. We took the complaint up with Sydney Water and their advice was provided back to the customer that there does not appear to be a breach of Sydney Water's operating licence or customer contract.

In the Energy Savings Scheme, there were 5 complaints relating to the acceptance of products classified as emerging lighting technologies for use by IPART before being used in an upgrade. Three of the complaints expressed dissatisfaction with processing times, which compares to over 1,000 product applications assessed each year. Two complaints related to system errors encountered by users when uploading files. These system issues were successfully resolved with the users.

There was also one complaint about the length of time and service levels in processing an audit panel application. In response to the complaint, remedial action was taken to resolve the issues raised and to improve processes for managing future audit panel applications.

Overseas Visits

There were no overseas visits by an IPART employee in the reporting period 2020-21.

Internal Audit and Risk Management

IPART's risk management and internal audit framework informs and supports decision making across the organisation. We have developed our risk management framework to:

- build awareness and consideration of risks across the organisation
- facilitate risk reporting
- test, review and revise our key risk management strategies
- comply with the NSW Treasury Internal Audit and Risk Management Policy for the NSW Public Sector.

IPART's Audit and Risk Committee (ARC) advises IPART on risk management. Senior executives and the Tribunal receive regular reports on risks. Over the past 12 months risk management, including awareness, continues to mature. Key risk management activities during the year included:

- Continuing to embed risk management in policy and processes across IPART.
- Increasing integration between internal audit and risk management.
- Reviewing and amending controls in response to recommendations from our risk and internal audit programs, as well as Audit Office external audit engagement.

Our risk management activities inform our internal audit program and we have a number of internal audits planned for the coming year. In 2020-21, we operated our internal audit function using an outsourced model to review the following areas of the organisation:

- Human Resources / Payroll
- Finance and Budget Management
- Procurement
- Cyber Security
- Information Management

Over the next financial year, we plan to review the following areas of the organisation using an outsourced internal audit model:

- Strategic and Operational Planning
- Governance
- Corruption and Integrity
- Energy Network Regulation

The ARC considers the outcome of each audit and our senior executives develop a set of actions to address each audit recommendation. Senior executives and the ARC receive regular updates about progress towards implementing the audit recommendations.

Internal Audit and Risk Management Attestation Statement for the 2020-21 Financial Year for IPART

I, Liz Livingstone, am of the opinion that IPART has internal audit and risk management processes in operation that are compliant with the 7 core requirements set out in the Internal Audit and Risk Management Policy for the General Government Sector. Specifically:

Table E.1 TPP 20-08 Compliance with Core requirements 2020-21

Core Requirements	Specify compliant, non-compliant, or in transition	
Risk Management Framework		
1.1	The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency.	Compliant
1.2	The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018.	Compliant
Internal Audit Function		
2.1	The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose.	Compliant
2.2	The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for Professional Practice for Internal Auditing.	Compliant
2.3	The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant
Audit and Risk Committee		
3.1	The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.2	The Accountable Authority shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	Compliant

The independent chair and members of the Audit and Risk Committee are:

- Independent Chair, Elizabeth Crouch (Start term 1 December 2016, finish term 1 December 2019, extended to 1 December 2023).
- Independent Member, Tim Holden (Start term 31 October 2014, finish term 31 October 2017; extended to 31 October 2019, then extended to 31 October 2022, resigned 2 March 2021)
- Independent Member, Ken Barker (Start term 14 October 2014, finish term 14 October 2018, extended to 8 October 2019, extended to 8 October 2022).
- Independent Member, Rob Mason (Start term 2 May 2021, finish term 2 May 2024).



Liz Livingstone
Chief Executive Officer

Agency Contact Officer: Ben Strate
General Counsel/Chief Audit Executive
02 9113 7745

Cyber Security Annual Attestation Statement for the 2020/2021 Financial Year for IPART

I, Liz Livingstone of IPART, am of the opinion that:

- IPART has assessed its cyber security risks and is putting in place systems and processes to further strengthen the cyber security environment in a manner consistent with the mandatory requirements as set out in the NSW Government Cyber Security Policy.
- Risks to IPART's information and systems have been assessed and are being managed.
- Governance is in place to manage IPART's cyber security initiatives.
- Cyber security incidents, should they occur, are escalated to the NSW GCISO or Cyber Security NSW governance forums as required.
- An independent assessment of controls against the mandatory requirements of the NSW Cyber Security Policy, including Essential Eight controls, was also undertaken by Centium.



Liz Livingstone

Chief Executive Officer

Appendix F >>

Public access to our information

F

The *Government Information (Public Access) Act 2009* (GIPA Act) requires agencies to provide access to government information and encourages proactive release of such information. As required by the GIPA Act, the Commission provided the following information on its website:

- a publication guide describing IPART's structure and functions, the various kinds of information it holds, and how people can access this information
- documents about IPART that have been tabled in parliament
- IPART's policy documents
- IPART's disclosure log of formal access applications
- IPART's register of government contracts
- A record indicating the general nature of any open access information that has not been disclosed because of an overriding public interest.

We endeavour to make as much additional information about the work we do quickly and easily available through our website consistent with the government's commitment to proactive release of information. All of IPART's publications are available on our [website](#) at

Where information is not available on the website, an informal request may be made to IPART's Right to Information Officer. Where information is not available on the website or not provided by informal request, a formal access application can be made by contacting us at ipart@ipart.nsw.gov.au.

In the reporting period, IPART:

- reviewed its program for proactive release of information to identify the kind of information that can be made publicly available, and made relevant information available on its website
- received one informal request for information
- received three formal access applications
- did not carry forward any requests from the previous year.

Statistical information

IPART provides the following information as required by Schedule 2 of the *Government Information (Public Access) Regulation 2009*:

Table F.1 Number of GIPA applications by type of applicant and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	1
Members of the public (other)	1	0	0	0	0	0	0	0

Note: More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision.

Table F.2 Number of GIPA applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	1	0	0	0	0	0	0	1
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

Note: *A personal information application is an access application for personal information about the applicant (the applicant being an individual). Personal information is defined in clause 4 of Schedule 4 to the Act.

Table F.3 Invalid applications

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table F.4 Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Privilege generally – Sch1 (5A)	0
Information provided to High Risk Offenders Assessment Committee	0

Note: *More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table F.5.

Table F.5 Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of times consideration used*
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F.6 Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	2
Decided after 35 days (by agreement with the applicant)	0
Not decided within time (deemed refusal)	0

Table F.7 Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of the Act	0	0	0
Review by NCAT	0	0	0

Note: *The Information Commissioner does not have the authority to vary decisions but can make a recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Table F.8 Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table F.9 Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0

Appendix G >>

Financial Management

G

Payment of Accounts

Table G.1 Report on account payment performance 2020-21

	September 2020	December 2020	March 2021	June 2021
Invoices due for payment	215	171	210	295
Invoices paid on time	153	129	104	225
Invoices due for payment received from small business	7	11	15	15
Invoices from small business paid on time	0	0	2	1
Amount due for payment (\$)	2,302,522	2,046,166	3,047,984	3,166,684
Amount paid on time (\$)	1,593,836	1,582,578	1,901,604	2,735,697
Amount due for payment received from small business (\$)	83,897	124,719	74,452	85,374
Amount from small business paid on time (\$)	0	0	2,239	1,650
Number of payments for the interest on overdue account	0	0	0	0
Interest paid on late accounts (\$)	0	0	0	0
Number of payments to small business for the interest on overdue account	0	0	0	0
Interest to small business on late account (\$)	0	0	0	0

Table G.2 Accounts paid on time within each quarter in 2020-21

Quarter	Target %	Actual %
September	90%	71%
December	90%	75%
March	90%	50%
June	90%	76%

Note: During 2020-21, there were no instances where penalty interest was paid.

Delays in invoice processing are primarily related to the delayed receipt of invoices from businesses and delays in verification of goods received as well as a prolonged system outage in January 2021. A review of our invoice processing process is being undertaken early in the 2021-22 financial year to assist us improve performance against our target.

Consultants

During 2020-21, IPART engaged the following consultants for a total expenditure of \$1,092,774 inclusive of GST (work on some of these consultancies was still progressing at 30 June 2021).

IPART has used the NSW Procurement Board's definition of 'consultant' for annual reporting purposes as described in the Procurement Board Direction *PBD-2019-01-Engagement of professional services suppliers*⁹.

Table G.3 Consultancies over \$50,000 including GST in 2020-21

Consultant	Services provided	Cost (\$)
Corporate Services		
Kienco Pty Ltd	HR Strategic Workforce Planning	\$65,450.00
Sub Total		\$65,450.00
Finance and Accounting		
Deloitte Touche Tohmatsu	Advice on current water regulation framework	\$300,000.03
TCS Trading (Australia) Pty Ltd	Change & Stakeholder Management	\$134,502.50
Centre for International Economics	Rate Peg population growth review	\$75,181.70
Frontier Economics	Review revenue risk management strategy	\$72,985.00
Houston Kemp Pty Ltd	Review of Special Variations Framework and Process - Local Government	\$71,500.00
Indec Pty Limited	Review of efficient costs for private ferries services.	\$64,108.00
Sub Total		\$718,277.23
Total		\$783,727.23

Table G.4 Consultancies up to \$50,000 including GST in 2020-21

Annual Report Category	Number of engagements	Cost (\$)
Corporate Services	1	\$6,286.50
Engineering		
Environmental		
Finance and Accounting	5	\$134,523.13
Information Technology	2	\$57,907.30
Legal		
Organisation review		
Research	1	\$47,135.00
Training		
Total		\$245,851.93

Annual Report production

There were no external production costs such as copy writing, design and printing incurred in the production of the report. An electronic copy of this report is available at [Annual Reports page](#) on IPART's website.

⁹ A consultant is defined as a person or organisation engaged under contract on a temporary basis to provide recommendations or professional advice to assist decision-making by management. Generally, it is the advisory nature of the work that differentiates a consultant from other contractors. Services provided under the NSW Government Legal Services Panel are excluded from the definition of 'consultant' for annual reporting purposes.

Appendix H >>

Financial Statements





INDEPENDENT AUDITOR'S REPORT

Independent Pricing and Regulatory Tribunal

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Independent Pricing and Regulatory Tribunal (the Tribunal), which comprises the Statement by the Accountable Authority, the Statements of Comprehensive Income for the year ended 30 June 2021, the Statements of Financial Position as at 30 June 2021, the Statements of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Tribunal and the consolidated entity. The consolidated entity comprises the Tribunal and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position, financial performance and cash flows of the Tribunal and the consolidated entity

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Tribunal and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulations and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the Tribunal and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Tribunal or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 October 2021
SYDNEY

**Independent Pricing and Regulatory Tribunal and
its Consolidated Entity**

**Financial Statements
for the year ended 30 June 2021**

**Independent Pricing and Regulatory Tribunal and its Consolidated Entity
Statement by the Accountable Authority**

for the year ended 30 June 2021

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state

- a) these financial statements have been prepared in accordance with:
- Australian Accounting Standards (which include Australian Accounting interpretations);
 - applicable requirements of the Act, the *Government Sector Finance Regulation 2018*; and
 - Treasurer's directions issued under the Act.
- b) these financial statements present fairly the Independent Pricing and Regulatory Tribunal and its Consolidated Entity's financial position as at 30 June 2021 and the financial performance and cash flows for the year then ended; and
- c) there are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

22/10/2021

X 

Elizabeth Livingstone

Chief Executive Officer

Signed by: Liz Livingstone

Independent Pricing and Regulatory Tribunal
Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	Consolidated			Tribunal		
		Budget	Actual	Actual	Budget	Actual	Actual
		2021	2021	2020	2021	2021	2020
		\$'000	\$'000	\$'000	\$'000	\$'000	
Continuing operations							
Expenses excluding losses							
Employee-related expenses	2(a)	23,207	22,467	21,518	-	-	-
Personnel services		-	-	-	22,794	21,978	21,172
Operating expenses	2(b)	7,150	8,539	9,818	7,150	8,539	9,818
Depreciation and amortisation	2(c)	666	418	730	666	418	730
Total expenses excluding losses		31,023	31,424	32,066	30,610	30,935	31,720
Revenue							
Appropriations	3(a)	28,474	27,819	30,996	28,474	27,819	30,996
Sale of goods and services	3(b)	1,352	1,562	1,563	1,352	1,562	1,563
Grants and other contributions	3(c)	-	1,375	-	-	1,375	-
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	413	489	346	-	-	-
Other income	3(e)	-	225	233	-	225	233
Total Revenue		30,239	31,470	33,138	29,826	30,981	32,792
Operating result		(784)	46	1,072	(784)	46	1,072
Gains / (losses) on disposal	4	-	(27)	-	-	(27)	-
Net result		(784)	19	1,072	(784)	19	1,072
Other comprehensive income		-	-	-	-	-	-
Total other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME		(784)	19	1,072	(784)	19	1,072

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal
Statement of Financial Position
as at 30 June 2021**

	Notes	Consolidated			Tribunal		
		Budget 2021 \$'000	Actual 2021 \$'000	Actual 2020 \$'000	Budget 2021 \$'000	Actual 2021 \$'000	Actual 2020 \$'000
ASSETS							
Current Assets							
Cash and cash equivalents	6	4,988	4,084	5,286	4,988	4,088	4,846
Receivables	7	622	1,075	622	622	1,069	622
Total Current Assets		5,610	5,159	5,908	5,610	5,157	5,468
Non Current Assets							
Plant and equipment							
- Plant and equipment	8	140	245	455	140	245	455
- Leasehold improvement	8	-	-	5	-	-	5
Total plant and equipment		140	245	460	140	245	460
Intangible assets	9	851	801	1,017	851	801	1,017
Total Non Current Assets		991	1,046	1,477	991	1,046	1,477
Total Assets		6,601	6,205	7,385	6,601	6,203	6,945
LIABILITIES							
Current Liabilities							
Payables	10	3,606	2,403	3,631	3,606	2,401	3,191
Provisions	11	2,718	2,739	2,718	2,771	2,800	2,771
Total Current liabilities		6,324	5,142	6,349	6,377	5,201	5,962
Non Current Liabilities							
Provisions	11	53	61	53	-	-	-
Total Non Current Liabilities		53	61	53	-	-	-
Total Liabilities		6,377	5,203	6,402	6,377	5,201	5,962
Net Assets		224	1,002	983	224	1,002	983
EQUITY							
Accumulated funds	12	224	1,002	983	224	1,002	983
Total Equity		224	1,002	983	224	1,002	983

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal
Statement of Changes in Equity
for the year ended 30 June 2021**

Consolidated / Tribunal	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2020	983	983
Net result for the year	19	19
Total other comprehensive income	-	-
Total comprehensive income for the year	19	19
Balance at 30 June 2021	1,002	1,002

Consolidated / Tribunal	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2019	(89)	(89)
Net result for the year	1,072	1,072
Total other comprehensive income	-	-
Total comprehensive income for the year	1,072	1,072
Balance at 30 June 2020	983	983

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal
Statement of Cash Flows
for the year ended 30 June 2021

	Notes	Consolidated			Tribunal		
		Budget	Actual	Actual	Budget	Actual	Actual
		2021	2021	2020	2021	2021	2020
		\$'000	\$'000	\$'000	\$'000	\$'000	
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee related		(22,794)	(21,897)	(20,751)	-	-	
Personnel services		-	-	-	(22,794)	(21,897)	
Other		(7,150)	(10,728)	(9,980)	(7,150)	(10,290)	
Total Payments		(29,944)	(32,625)	(30,731)	(29,944)	(32,187)	
Receipts							
Appropriations (excluding equity appropriations)		28,474	27,819	30,996	28,474	27,819	
Sale of goods and services		1,352	2,532	2,355	1,352	2,538	
Grants and other contributions		-	861	-	-	861	
Other		-	225	233	-	225	
Total Receipts		29,826	31,437	33,584	29,826	31,443	
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	(118)	(1,188)	2,853	(118)	(744)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of plant and equipment		-	85	-	-	85	
Purchases of plant and equipment		(180)	(75)	(29)	(180)	(75)	
Purchases of intangible assets		-	(24)	(884)	-	(24)	
NET CASH FLOWS FROM INVESTING ACTIVITIES		(180)	(14)	(913)	(180)	(14)	
CASH FLOWS FROM FINANCING ACTIVITIES							
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-	-	-	
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(298)	(1,202)	1,940	(298)	(758)	
Opening cash and cash equivalents		5,286	5,286	3,346	5,286	4,846	
CLOSING CASH AND CASH EQUIVALENTS	6	4,988	4,084	5,286	4,988	4,088	

The accompanying notes form part of these statements.

1. Statement of Significant Accounting Policies

(a) Reporting entity

The Independent Pricing and Regulatory Tribunal (the Tribunal) is a NSW government independent statutory entity and is controlled by the State of New South Wales, which is the ultimate parent. The Tribunal is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The Tribunal strives to make the people of NSW better off through decisions and advice independently of government. The Tribunal is the independent pricing regulator for water, public transport, local government, as well as the licence administrator of water, electricity and gas and the scheme administrator and regulator for the Energy Savings Scheme. The Tribunal reviews and investigates a wide range of economic and policy issues and although a government agency, makes decisions independently of Government in line with Independent Pricing and Regulatory Tribunal Act 1992.

The Tribunal is domiciled in Australia and its principle office is at Level 16, 2-24 Rawson Place, Sydney 2000.

The Tribunal as a reporting entity, includes its control entity, the Independent Pricing and Regulatory Tribunal Staff Agency (Staff Agency). The Staff Agency is a public service agency established under the Administrative Arrangements Order 2014 and is pursuant to Part 3 of Schedule 1 of the *Government Sector Employment Act 2013*. All employee provisions are held within the Staff Agency and are shown in the consolidated section of these statements.

In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These financial statements for the year ended 30 June 2021 have been authorised for issue by the Chief Executive Officer on 22 October 2021.

(b) Basis of preparation

The Tribunal's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act) and *Government Sector Finance Regulation 2018* and
- Treasurer's Directions issued under the GSF Act.

Plant and equipment and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Tribunal's presentation and functional currency.

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

1. Statement of Significant Accounting Policies (cont'd)

(d) Administered activities

The Tribunal administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the Tribunal's own objectives.

Transactions and balances relating to the administered activities are not recognised as the Tribunal's income, expenses, assets and liabilities, but are disclosed in Note 17 as "Administered Assets and Liabilities".

The accrual basis of accounting and all applicable accounting standards have been adopted.

(e) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by the Tribunal as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

(g) Changes in accounting policies, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2020-21

The Tribunal applied AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standards are described below.

Several other amendments and interpretations apply for the first time in FY2020-21, but do not have an impact on the financial statements of the Tribunal.

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 is effective for the Tribunal from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: Accounting for Privately Financed Projects (TPP 06-8) was withdrawn effective from 1 July 2020.

Service Concession Arrangements are contracts between an operator and a grantor, where private operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

There were no impacts on the Tribunal as a result of adopting the changes required by AASB 1059.

1. Statement of Significant Accounting Policies (cont'd)

(ii) Issued but not yet effective

NSW public sector entities are not permitted to adopt early new Australian Accounting Standard, unless Treasury determines otherwise.

The following new Australian Accounting Standards have not been applied and are not yet effective:

- *AASB 1060 General Purpose Financial Statements Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*
- *AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*
- *AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*
- *AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*

The standards in future periods are not expected to materially impact the financial statements.

(h) Impact of COVID-19 on Financial Reporting for 2020-21

There were no significant impacts of COVID-19 on Tribunal's Financial Reporting for 2020-21.

The primary area of heightened risk from COVID-19 is to the Tribunal's workforce. With respect to staffing, a significant focus has been placed on managing work health and safety (WHS) risks - physical, mental and social. Whilst for a majority of the year most staff worked from home, the finalisation of the renovations to the Sydney office in early 2021 have seen an increase in staff attending the office. This has not returned to pre COVID levels and it is anticipated that it will not. This has triggered a review of WHS arrangements to ensure they are contemporary with the working arrangements, particularly the location of work to reduce any adverse impact on staff arising from these work arrangements. The Tribunal continues to support the health and safety of its staff.

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2021

2. Expenses Excluding Losses

(a) Employee related expenses

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Salaries and wages (including annual leave)	19,288	18,580	-	-
Superannuation - defined benefit plans	7	21	-	-
Superannuation - defined contribution plans	1,179	1,211	-	-
Long service leave	489	322	-	-
Workers compensation insurance	102	49	-	-
Payroll tax and fringe benefit tax	965	1,043	-	-
Redundancy payments	415	274	-	-
On costs - annual leave and long service leave	22	18	-	-
	22,467	21,518	-	-

Employee related costs that have been capitalised and therefore excluded from the above - Nil (2020 \$780,450).

(b) Operating expenses include the following:

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Advertising	18	38	18	38
Auditor's remuneration - audit of the financial statements	51	45	51	45
Board and Committee Fees	304	428	304	428
Cleaning and outgoings	-	72	-	72
Corporate services fees	378	602	378	602
Consultants	994	2,367	994	2,367
Contractors	-	33	-	33
Information Technology	3,375	2,239	3,375	2,239
Information resources and media	183	101	183	101
Internal audit fees	46	-	46	-
Insurance	28	10	28	10
Legal Fees	281	286	281	286
Operating lease rental expense - minimum lease payments	-	897	-	897
Professional fees	1,661	1,106	1,661	1,106
Rental payments	661	1,126	661	1,126
Training (staff development)	418	219	418	219
Travel	-	20	-	20
Other operating expenses	139	212	139	212
Maintenance expenses	2	17	2	17
	8,539	9,818	8,539	9,818

Reconciliation – Total Maintenance

Maintenance expense - other (non-employee related), as above	2	17	2	17
Total maintenance expenses included in Note 2(a) + 2(b)	2	17	2	17

2. Expenses Excluding Losses (cont'd)

Recognition and Measurement

Maintenance expense

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement or an enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Insurance

The Tribunal's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (icare), a controlled entity of the ultimate parent.

Lease expense

The Tribunal recognises the lease payments associated with the following types leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term, i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

(c) Depreciation and amortisation expense

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Depreciation				
Plant and Equipment	173	175	173	175
Leasehold Improvements	5	546	5	546
Total Depreciation	178	721	178	721
Amortisation				
Intangibles	240	9	240	9
Total Amortisation	240	9	240	9
Total Depreciation and Amortisation	418	730	418	730

Refer to Notes 8 and 9 for recognition and measurement policies on depreciation and amortisation.

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2021

3. Revenue

Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers. Comments regarding the accounting policies for the recognition of income are discussed below.

(a) Appropriations and Transfers to the Crown Entity

Summary of Compliance

	Consolidated / Tribunal	
	2021	2020
	\$'000	\$'000
Original Budget per <i>Appropriation Act</i>	28,474	30,996
Other Appropriations	-	-
Total spending authority from parliamentary appropriations, other than deemed appropriations	28,474	30,996
Add:		
Own source revenue money received during the year	3,703	2,588
Own source revenue balance brought forward from prior years	5,286	3,346
Total	37,463	36,930
Less: Total expenditure	(32,724)	(31,644)
Variance	4,739	5,286
Less: Spending authority from appropriations lapsed at 30 June	(655)	-
Own source revenue balance carried forward to following years	4,084	5,286
	2021	2020
	\$'000	\$'000
Transfer payments	-	-
Equity appropriations	-	-
Appropriations (per Statement of Comprehensive Income)	27,819	30,996
Total amount drawn down against Annual Appropriations	27,819	30,996

Appropriations authorities and spending limits, under the *Appropriations Act*, and from deemed appropriations are given to the relevant responsible minister(s) and not directly to individual agencies. Officers of agencies reporting to those ministers are then delegated authority to incur expenditure under delegation instruments issued by those ministers. Therefore, compliance with aggregate spending limits under the *Appropriation Act* and deemed appropriations should normally be assessed at the responsible minister(s)' level unless the delegation instrument for an agency expressly creates a sub-limit for the agency as a whole (which is unusual). The Tribunal has confirmed that its delegation instruments do not have sub-limits for the agency as a whole.

However, to provide information related to the agency's spending, the summary of compliance table compares:

- Portion of the amounts authorised under the *Appropriations Act* for the services of the Tribunal and other relevant variations to appropriations authorities and the agency's own source revenue, with
- The Tribunal's actual spending for the year, including payments to other state government agencies.

The table includes monies received from the agency's own-source income from other clusters who have different responsible ministers, as comprising part of the authority to spend.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2021**

3. Revenue (cont'd)

There is some complexity and uncertainty in respect of the legal implication of monies received by the agency from an agency in another cluster who has a different responsible minister. If those monies are paid from the Consolidated Fund and remain within the Consolidated Fund on receipt the appropriations authority limits of the responsible minister(s) of the paying and receiving agencies will not have been automatically adjusted on transfer of the money. This means the appropriations limit of the receiving responsible minister(s) will not have been increased. Therefore, there is a technical risk that the actual expenditure exceeds the aggregate legal limit authorised for the receiving responsible minister(s) for the relevant reporting period; on the other hand, the paying responsible minister(s) may have unutilised legal spending authority. The total appropriations limits in the *Appropriations Act* are not affected by this matter.

The impact of this legal uncertainty means the balance of own source revenue brought forward and carried forward in the table will not necessarily be reflective of the appropriations authority available to the agency or its responsible minister(s).

(b) Sale of goods and services from contracts with customers

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Rendering of services	1,562	1,563	1,562	1,563
	1,562	1,563	1,562	1,563

Recognition and Measurement

Rendering of services

Revenue from rendering of services is recognised when the Tribunal satisfies the performance obligation by transferring the promised services.

The Tribunal satisfies its performance obligations when a review is completed and final report issued according to the Terms of Reference obligations. The payments are due when the service is provided in line with the Terms of Reference.

The revenue is measured at the transaction price agreed under the Terms of Reference.

No element of financing is deemed present as payments are due when service is provided.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2021**

3. Revenue (cont'd)

(c) Grants and contributions

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Grants	1,375	-	1,375	-
	1,375	-	1,375	-

Recognition and Measurement

Revenue from grants with sufficiently specific performance obligations is recognised when the Tribunal satisfies a performance obligation by providing the promised services. The payments are due when service is provided.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations is recognised when the Tribunal obtains control over the granted assets (e.g. cash).

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services measured at fair value.

The Tribunal does not receive volunteer services.

(d) Acceptance by the Crown Entity of employee benefits and other liabilities

The following liabilities and / or expenses have been assumed by the Crown Entity or other government entities:

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Superannuation – defined benefit	-	23	-	-
Long service leave provision	489	322	-	-
Payroll tax	-	1	-	-
	489	346	-	-

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2021**

3. Revenue (cont'd)

(e) Other income

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Recoupment of salaries and on-costs from staff secondments	219	233	219	233
Other	6	-	6	-
	225	233	225	233

4. Gain / (losses) on Disposal

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Proceeds from disposal	85	-	85	-
Less: Written down value of assets disposed	(112)	-	(112)	-
Gain / (losses) on disposal	(27)	-	(27)	-

5. Program group statements for the year ended 30 June 2021

The Tribunal operates under a single service group.

Program Group Descriptions

Program group - Fair and Compliant Business

Purpose:

The Tribunal makes the people of NSW better off through independent decisions and advice. The Tribunal is the independent pricing regulator for water, public transport, local government, as well as the licence administrator of water, electricity and gas and the scheme administrator and regulator for the Energy Savings Scheme. The Tribunal reviews and investigates a wide range of economic and policy issues and although a government agency, makes decisions independently of the Government.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2021**

6. Current Assets - Cash and Cash Equivalents

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	4,084	5,286	4,088	4,846
	4,084	5,286	4,088	4,846

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank and cash on hand.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statements of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	4,084	5,286	4,088	4,846
Closing cash and cash equivalents (per Statements of Cash Flows)	4,084	5,286	4,088	4,846

Refer Note 18 for details regarding credit risk and market risk arising from financial instruments.

7. Current Assets - Receivables

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current				
Sale of goods and services	933	454	927	454
Goods and Services Tax (GST)	142	168	142	168
	1,075	622	1,069	622

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 18.

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

The Tribunal holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2021

7. Current Assets - Receivables (cont'd)

Impairment

The Tribunal recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, the Tribunal applies a simplified approach in calculating ECLs. The Tribunal recognises a loss allowance based on lifetime ECLs at each reporting date. The Tribunal has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

No provision for doubtful debts is required.

8. Plant and Equipment

Consolidated / Tribunal	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
At 1 July 2019 fair value			
Gross carrying amount	1,605	4,208	5,813
Accumulated depreciation	(873)	(3,657)	(4,530)
Net carrying amount	732	551	1,283
Year ended 30 June 2020			
Net carrying amount at beginning of year	732	551	1,283
Additions	30	-	30
Transfer to intangible assets	(132)	-	(132)
Depreciation expense	(175)	(546)	(721)
Net carrying amount at end of year	455	5	460
At 30 June 2020 fair value			
Gross carrying amount	1,333	4,208	5,541
Accumulated depreciation	(878)	(4,203)	(5,081)
Net carrying amount	455	5	460
Year ended 30 June 2021			
Net carrying amount at beginning of year	455	5	460
Additions	75	-	75
Disposals	(112)	-	(112)
Depreciation expense	(173)	(5)	(178)
Net carrying amount at end of year	245	-	245
At 30 June 2021 fair value			
Gross carrying amount	909	-	909
Accumulated depreciation	(664)	-	(664)
Net carrying amount	245	-	245

8. Plant & Equipment (cont'd)

Recognition and Measurement

Acquisition of plant and equipment

Plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted over the period of credit.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Capitalisation thresholds

Plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after it is used is included in the cost of the respective asset if the recognition criteria for a provision is met.

Depreciation of plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Tribunal.

All material identifiable components of assets are depreciated separately over their useful lives.

Category of Assets	Depreciation Rates (%)	
	2021	2020
Plant and equipment		
Office furniture and fittings	10	10
Computer equipment and hardware	25	25
General plant and equipment	14	14
Leasehold improvements	depreciated over the period of the lease	

8. Plant & Equipment (cont'd)

Revaluation of plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Non-specialised assets with short useful lives are measured at depreciated historical cost, which for these assets approximates to fair value. The Tribunal has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

Impairment of plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

The Tribunal assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Tribunal estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the surplus for the class of asset.

9. Intangible Assets

Consolidated / Tribunal	Software	Work in Progress	Total
	\$'000	\$'000	\$'000
At 1 July 2019			
Cost (gross carrying amount)	71	-	71
Accumulated amortisation and impairment	(60)	-	(60)
Net carrying amount	11	-	11
Year ended 30 June 2020			
Net carrying amount at beginning of year	11	-	11
Addition	-	883	883
Transfer from plant and equipment	-	132	132
Amortisation (recognised in 'depreciation and amortisation')	(9)	-	(9)
Net carrying amount at end of year	2	1,015	1,017
At 30 June 2020			
Cost (gross carrying amount)	71	1,015	1,086
Accumulated amortisation and impairment	(69)	-	(69)
Net carrying amount	2	1,015	1,017
Year ended 30 June 2021			
Net carrying amount at beginning of year	2	1,015	1,017
Addition	24	-	24
Transfer from WIP	1,015	(1,015)	-
Amortisation (recognised in 'depreciation and amortisation')	(240)	-	(240)
Net carrying amount at end of year	801	-	801
At 30 June 2021			
Cost (gross carrying amount)	1,075	-	1,075
Accumulated amortisation and impairment	(274)	-	(274)
Net carrying amount	801	-	801

9. Intangible Assets (cont'd)

Recognition and Measurement

The Tribunal recognises intangible assets only if it is probable that future economic benefits will flow to the Tribunal and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the Tribunal's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

The useful lives of intangible assets are assessed to be finite.

The Tribunal's computer software are amortised using the straight-line method over a period of four years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

10. Current Liabilities - Payables

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on-costs	683	190	-	-
Creditors	1,720	3,441	1,718	3,001
Personnel services	-	-	683	190
	2,403	3,631	2,401	3,191

Accrued salaries, wages and on-costs include redundancy payments \$415k relating to the period ended 30 June 2021 paid in July 2021. Details regarding liquidity risk including a maturity analysis of the above payables, are disclosed in Note 18.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the Tribunal. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2021**

11. Current /Non-Current Liabilities - Provisions

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current				
Employee benefits and related on-costs				
Annual leave	1,871	1,869	-	-
Long service leave	404	387	-	-
Banked flex leave	169	155	-	-
Payroll tax	295	307	-	-
Personnel services	-	-	2,800	2,771
Total current provisions	2,739	2,718	2,800	2,771
Non-current				
Employee benefits and related on-costs				
Long service leave	61	53	-	-
Total Provisions	2,800	2,771	2,800	2,771
Aggregate employee benefits and related on-costs				
Provisions - current	2,739	2,718	-	-
Provisions - non-current	61	53	-	-
Accrued salaries, wages and on-costs (Note 10)	683	190	-	-
	3,483	2,961	-	-

Movements in provisions (other than employee benefits)

The Tribunal had no other provision during the financial year, therefore there is no movement to report.

11. Current /Non-Current Liabilities - Provisions (cont'd)

Current provisions are expected to be settled as follows:

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Employee benefits expected to be settled within 12 months from the reporting date				
Annual leave	1,497	1,494	-	-
Employee benefits expected to be settled in more than 12 months from the reporting date				
Annual leave	374	375	-	-

Recognition and Measurement

Employee benefits and related on-costs

Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 8.4% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Tribunal has assessed the actuarial advice based on the Tribunal's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the Tribunal does not expect to settle the liability within 12 months as the Tribunal does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

Long service leave and superannuation

The Tribunal's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Tribunal accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

11. Current /Non-Current Liabilities - Provisions (cont'd)

Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

Other provisions

Provisions are recognised when the Tribunal has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Tribunal expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the Tribunal has a detailed formal plan and the Tribunal has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

The Tribunal does not have any leases and therefore there is no provision for refurbishment.

12. Equity

Recognition and Measurement

Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

13. Commitments

The Tribunal has no capital commitment.

14. Contingent Liabilities and Contingent Assets

The Tribunal is not aware of any contingent liabilities and contingent assets associated with its operations (nil at 30 June 2020).

15. Budget Review

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

Net Result

The actual net result for the year was \$19,000 and favourable to the budget by \$803,000.

Total expenses including loss on disposal were higher than budget by \$428,000. Included in this was a \$1,389,000 increase in operating expenses offset by \$740,000 underspend in employee-related expenses and \$248,000 underspend in depreciation and amortisation. The increase in operating expenses was mainly due to program activities undertaken in accordance with the Climate Change Fund (CCF) grant from the Department of Planning, Industry and Environment (DPIE).

Total revenue was higher than budget by \$1,231,000, mainly due to \$1,375,000 unbudgeted CCF grant funding from DPIE.

Assets and liabilities

Total assets were \$6,205,000 and were lower than budget by \$396,000. This is mainly due to \$904,000 decrease in cash offset by \$453,000 increase in receivables. Increase in receivables included amounts owing from NSW government agencies on account of work commissioned, which were invoiced in June 2021.

Total liabilities were \$5,203,000 and were lower than budget by \$1,174,000 mainly due to decrease in accounts payables.

Cash flows

Net cash flows from operating activities comprised outgoings of \$1,188,000 and were higher than budget by \$1,070,000 mainly due to a \$2,681,000 increase in payments offset by \$1,611,000 increase in receipts.

Net cash flow from investing activities were \$14,000 and were lower than budget by \$166,000 mainly due to \$85,000 proceeds from transfer of plant and equipment to the Department of Customer Services and \$81,000 underspend in computer equipment.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2021**

16. Reconciliation of Cash Flows from Operating Activities to Net Result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income is as follows:

	Consolidated		Tribunal	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Net cash used on operating activities	(1,188)	2,853	(744)	2,877
Depreciation and amortisation expense	(418)	(730)	(418)	(730)
Decrease / (increase) in provisions	(29)	336	(29)	336
Increase / (decrease) in receivables and prepayments	453	27	447	42
Decrease / (increase) in creditors	1,228	(1,414)	790	(1,453)
Net gain / (loss) on sale of plant and equipment	(27)	-	(27)	-
Net result	19	1,072	19	1,072

17. Administered Assets and Liabilities

Consolidated / Tribunal	2021	2020
	\$'000	\$'000
Administered Assets		
Cash	1,019	857
Receivables	540	474
Total Administered Assets	1,559	1,331
Administered Liabilities		
Energy and Water Licence fees payable to Crown Entity	1,559	1,331
Total Administered Liabilities	1,559	1,331

Cash and Receivables balances relate to the transactions of Energy Savings Scheme and operating licence for public water utilities and compliance for alternative water utilities in NSW.

The licence fees paid to the Crown Entity during the financial year were \$7,779K (2020 \$8,004K).

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2021

18. Financial Instruments

The Tribunal's principal financial instruments are cash, short term receivables and payables. These instruments expose the Tribunal primarily to credit risk on short term receivables. The Tribunal does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Compliance with policies is reviewed by the internal auditors on a continuous basis.

a) Financial instrument categories

Consolidated

Class	Notes	Category	Carrying Amount	
			2021	2020
			\$'000	\$'000
Financial Assets				
Cash and cash equivalents	6	Amortised cost	4,084	5,286
Receivables ¹	7	Amortised cost	933	454
Financial Liabilities				
Payables ²	10	Financial liabilities measured at amortised cost	2,403	3,631

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

Tribunal

Class	Notes	Category	Carrying Amount	
			2021	2020
			\$'000	\$'000
Financial Assets				
Cash and cash equivalents	6	Amortised cost	4,088	4,846
Receivables ¹	7	Loans and receivables (at amortised cost)	927	454
Financial Liabilities				
Payables ²	10	Financial liabilities measured at amortised cost	2,401	3,191

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

The Tribunal determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

18. Financial Instruments (cont'd)

b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- the Tribunal has transferred substantially all the risks and rewards of the assets; or
- the Tribunal has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When the Tribunal has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Tribunal has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Tribunal's continuing involvement in the asset. In that case, the Tribunal also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Tribunal has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Tribunal could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

18. Financial Instruments (cont'd)

d) Financial risks

i. Credit Risk

Credit risk arises when there is the possibility of the Tribunal's debtors defaulting on their contractual obligations, resulting in a financial loss to the Tribunal. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk arises from the financial assets of the Tribunal including cash and receivables. No collateral is held by the Tribunal. The Tribunal has not granted any financial guarantees.

The Tribunal considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Tribunal may also consider a financial asset to be in default when internal or external information indicates that the Tribunal is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Tribunal.

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System.

Accounting policy for impairment of trade debtors and other financial assets under AASB 9

Receivables - trade debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Tribunal applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 180 days past due.

The loss allowance for trade debtors as at 30 June 2021 and 30 June 2020 was nil.

	30 June 2021					Total
	Current	<30 days	30-60 days	61-90 days	>91 days	
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount at default	-	-	-	-	-	-
Expected credit loss	-	-	-	-	-	-

**Independent Pricing and Regulatory Tribunal
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18. Financial Instruments (cont'd)

	30 June 2020					Total
	\$'000					
	Current	<30 days	30-60 days	61-90 days	>91 days	
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount at default	-	-	-	-	-	-
Expected credit loss	-	-	-	-	-	-

Notes: The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in Note 7.

The Tribunal is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2021 and 2020. Most of the Tribunal's debtors have a AAA credit rating.

ii. Liquidity risk

Liquidity risk is the risk that the Tribunal will be unable to meet its payment obligations when they fall due. The Tribunal continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash and investments.

The Tribunal had no borrowings during the current and prior year. The Tribunal's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in *Treasurer's Direction NSW TC 11/12*. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Tribunal may automatically pay the supplier simple interest. The rate of interest applied during the year was nil (2020 – nil).

The table below summarises the maturity profile of the Tribunal's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

18. Financial Instruments (cont'd)

Maturity Analysis and interest rate exposure of financial liabilities

Consolidated	Interest Rate Exposure		Maturity Dates		
	Nominal Amount ¹ \$'000	Non-interest bearing \$'000	< 1 yr \$'000	1-5 yrs \$'000	> 5 yrs \$'000
2021					
Payables²					
Accrued salaries, wages and on-costs	683	683	683	-	-
Creditors	1,720	1,720	1,720	-	-
	2,403	2,403	2,403	-	-
2020					
Payables²					
Accrued salaries, wages and on-costs	190	190	190	-	-
Creditors	3,441	3,441	3,441	-	-
	3,631	3,631	3,631	-	-
Tribunal	Interest Rate Exposure		Maturity Dates		
	Nominal Amount ¹ \$'000	Non-interest bearing \$'000	< 1 yr \$'000	1-5 yrs \$'000	> 5 yrs \$'000
2021					
Payables²					
Personnel services and on-costs	683	683	683	-	-
Creditors	1,718	1,718	1,718	-	-
	2,401	2,401	2,401	-	-
2020					
Payables²					
Personnel services and on-costs	190	190	190	-	-
Creditors	3,001	3,001	3,001	-	-
	3,191	3,191	3,191	-	-

Notes:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Tribunal can be required to pay. These amounts include both interest and principal cash flows and therefore will not reconcile to the amounts disclosed in the statement of financial position.
- The amounts disclosed here exclude statutory payables and unearned revenue (not within scope of AASB 7).

18. Financial Instruments (cont'd)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Tribunal has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Tribunal operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2020. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Tribunal's interest bearing liabilities. The Tribunal does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income or available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

Consolidated	2021		2020	
	\$'000		\$'000	
	-1%	1%	-1%	1%
Net Result	(41)	41	(53)	53
Equity	(41)	41	(53)	53

Tribunal	2021		2020	
	\$'000		\$'000	
	-1%	1%	-1%	1%
Net Result	(41)	41	(48)	48
Equity	(41)	41	(48)	48

Other price risk

The Tribunal has no exposure to other price risk.

18. Financial Instruments (cont'd)

e) Fair Value Measurement

i. Fair value compared to carrying amount

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of many of the financial instruments.

19. Related Party Disclosures

The Tribunal's key management personnel include the Chair and the Chief Executive Officer. They have authority and are responsible for planning, directing and controlling the activities of the Tribunal, directly or indirectly.

The Tribunal's key management personnel compensation are as follows:

Consolidated / Tribunal	2021 \$'000	2020 \$'000
Salaries	<u>768</u>	<u>846</u>
Total remuneration	<u>768</u>	<u>846</u>

During the year, the Tribunal did not enter into any transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof. The aggregate value of the material transactions and related outstanding balances as at and for the year ending 30 June 2021 are nil.

The Tribunal during the year entered into transactions with other entities that are controlled/ jointly controlled / significantly influenced by the NSW government. These transactions include:

- Defined Benefit Superannuation and LSL assumed by the Crown
- Appropriations from the Crown Entity
- Payments to the Treasury Managed Fund for workers compensation insurance and other insurances
- Payments to Department of Customer Services for accommodation (\$571K) and corporate services fees (\$87K). Software and infrastructure services amounting to a notional charge of \$25K were also provided by the Department of Customer Services.
- Grant funding from the Department of Planning, Industry and Environment (refer Note 3(c) and Note 15 for further details).

20. Events after the Reporting Period

There are no events subsequent to balance date which affect the financial statements.

End of audited financial statements.

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