



IPART Independent
Pricing and Regulatory
Tribunal | NSW

Annual Report

2021-2022

October 2022

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

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Acknowledgement 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: 21/351

28 October 2022

The Hon. Victor Michael Dominello MP
Minister for Customer Service and Digital Government
Minister for Small Business
Minister for Fair Trading
52 Martin Place
Sydney NSW 2000

Dear Minister

Independent Pricing and Regulatory Tribunal – Annual Report 2021-22

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 2022.

Yours Sincerely



Carmel Donnelly PSM

Chair



Deborah Cope
Tribunal Member



Sandra Gamble
Tribunal Member

The Chair's Foreword

2021-22 was my first year as IPART's Chair and like so many others, I had the novel experience of joining an organisation while working almost entirely remotely. Despite this, my introduction to IPART went smoothly as week by week the Tribunal deliberated carefully on the diverse issues before it.



Some of our key pieces of work in 2021-22 were:

- determining water prices for the residents and businesses of the Central Coast and recommending new measures to improve accountability of Central Coast Council in its capacity as a water supply authority, to its customers
- developing and applying a population growth factor when we determine rate pegs for each council each year to allow rates to keep pace with the needs of a growing population
- providing advice to inform the NSW Government's developer contribution plan reforms including advice on essential works lists and proposed standardised benchmark costs of local infrastructure that councils may use to prepare local contribution plans
- recommending a set of updated fees and charges for Fire and Rescue NSW that reflect efficient costs and provide appropriate incentives for people to avoid incidents that require attendance by Fire and Rescue NSW.

Some of our work was impacted by the economic volatility that has occurred since the COVID19 pandemic. For example, the method we use to set the base rate peg each year which caps the amount by which councils can increase their rates, resulted in an unusually low rate peg at a time when councils faced significant cost pressures with rising inflation. As a result, we implemented a streamlined process to allow councils to apply for additional special variations for modest increases to help meet the rising costs of providing services to ratepayers. We will also review our rate peg methodology in 2022-23 and consult with ratepayers, councils and stakeholders on how best to improve IPART's approach.

Also responding to our changing context, we set a significantly higher benchmark for solar feed-in tariffs reflecting the steep increase in wholesale energy costs which has increased the value of energy generated from solar systems.

We continued a substantial program of audits to hold regulated businesses accountable for the services they provide to their customers. This is critical given customers rely on safe and reliable services from energy and water businesses. Overall, compliance was high but we did take action to address non-compliance in a number of cases. This ranged from helping entities to better understand their obligations to financial penalties in some instances.

An important focus this year was preparing for the introduction of the new electricity Peak Demand Reduction Scheme which will commence in 2022-23 as part of the NSW Government's Energy Security Safeguard. The scheme provides incentives designed to improve affordability and reliability of our electricity networks while continuing to reduce greenhouse gas emissions by reducing electricity demand in peak periods. IPART will be the scheme administrator and regulator.

During 2021-22 we stepped up our review of how we regulate water businesses, engaging with water businesses, government and consumer groups to develop a framework that will drive a strong focus on customers' needs and preferences and on sound long term planning. This will help ensure water businesses are able to invest prudently and provide sustainable, safe and reliable water services at a fair price even with the significant challenges of mitigating and adapting to climate change. We expect to finalise the framework later in 2022.

I'd like to thank my fellow Tribunal members Deborah Cope and Sandra Gamble for their contributions over the last year. The three Tribunal members bring different perspectives and expertise that allow us to test, challenge, debate and deliberate as we make independent decisions based on all relevant information, including everything raised in consultation with stakeholders and consumers. I know we are all committed to achieving better outcomes for the people of NSW. I also thank Mike Smart who deputised in cases where a Tribunal member was absent.

Finally, I would like to thank the expert and diligent team in the IPART Secretariat, who helped the Tribunal navigate complex issues, always focusing on the people of NSW we serve.



Carmel Donnelly PSM
Chair

The Chief Executive Officer's Report

In 2021-22 we continued to implement our strategic plan, IPART 2023, which informed our organisational priorities.

We finalised a strategic workforce plan and, in the first year of implementation, prioritised building our capabilities in project management, change management, cultural competency and engagement methods.



We also continued our focus on better incorporating consideration of the impacts of climate change in the Tribunal's decisions. Nearly all the entities we regulate need to adapt to and/or mitigate climate change so that they can continue to provide safe, reliable and affordable services to people in NSW over the long term. We had several guest speakers who shared their knowledge and expertise with us, building our awareness of the impacts of climate change and the implications for our regulatory decisions.

We adopted a refreshed set of IPART values and have encouraged team conversations about them as well as recognition when we see them in practice. They define our shared expectations of how we relate to each other and with our stakeholders as we endeavour to make a positive difference in the lives of the people of NSW.

Our People Matter Employee Survey in late 2021 provided helpful feedback to inform actions that would improve our people's experience at work. One of the most common concerns was high workloads and being able to manage those effectively to improve well-being. We faced similar challenges to many organisations recruiting in a tight job market at a time when we are expanding some of our functions. Like others, our people and their households have also been impacted by COVID and other illnesses over the year.

We made decisions to defer or discontinue some work in response to these challenges, where impacts on our stakeholders could be effectively managed. We continue to be very flexible about where and when our people work. However, we also recognise the need for us to continually adapt so we are meeting the needs of consumers in a changing context. Hence, we focussed on developing business plans for each division that align priorities with our strategic objectives and better embed these in our day to day work as well as improve our overall efficiency.

IPART's functions continue to expand and we have been preparing for the Peak Demand Reduction Scheme which commences in November 2022 as part of the NSW Government's Energy Security Safeguard. This has provided an opportunity to build a new integrated IT system which will make it easier for stakeholders to interact with us and for our team to more readily access the data they need to administer the scheme efficiently.

We continually challenge our people to innovate and to bring together diverse thinking and perspectives while also expecting them to navigate considerable change. I am very thankful for their willingness, commitment and diligence as they do this at the same time as recognising and preserving the deliberative thought and careful analysis that is characteristic of IPART's success.

We commenced the year by welcoming our new Chair Carmel Donnelly to the Tribunal. We have benefited from the collective wisdom of Carmel, Deborah Cope and Sandra Gamble, our Tribunal members, as they continue to challenge us while they carefully weigh each of their decisions. They are ably represented by Mike Smart when he deputises for a Tribunal member in their absence.

At the conclusion of another year, I am even more conscious of the privilege of working with all of our people to make the people of NSW better off.



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

We have four aspirations that define the areas we most want to make improvements 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

The values we have adopted 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 Sustainability 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 are 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, 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

Promoting a healthy work culture

Our people are central to our success

Enabling our workforce

Strategic workforce planning enables us to build the workforce that is most likely to lead us to strategic success. With this in mind, the IPART Strategic Workforce Plan was finalised in January 2022. The aim is to identify, build and maintain the best possible future workforce proactively rather than reactively by:

- identifying the workforce requirements needed to deliver our Strategic Aspirations
- anticipating the opportunities and risks to workforce effectiveness from external influences.

The plan is aligned to our values, purpose, and our strategy, IPART 2023, and prioritises building our people and leadership capabilities. This will help us better leverage our already strong technical capability. In particular, we identified a clear need to build agility and the capacity to embrace change both as individuals and as an organisation as we navigate increasingly diverse challenges and a faster moving world.



As at 30 June 2022, we had 146 people working in either a full-time or part-time basis, inclusive of our Chair and Tribunal Members. 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.

Promoting a positive and productive workplace

At IPART we are committed to providing a safe, inclusive, and productive workplace that actively supports the health and wellbeing of all employees. We recognise the need for a positive, respectful work culture where inappropriate behaviour particularly bullying, harassment, and discrimination are not tolerated

Two major initiatives were undertaken in 2021-22 to cement the foundations for how we do what we do. These were the development and implementation of our Positive and Productive Workplace Behaviours policies and training and the review and refresh of our Values.

The new suite of Productive and Positive Workplace behaviours material builds on and replaces our Discrimination, Harassment and Bullying free workplace Policy and the Grievance Resolution Policy.

Our commitment to a positive and productive workplace is set out in our respectful workplace behaviours statement and reflected in our Values. This statement outlines the expected standard of respectful workplace behaviours at IPART and our commitment to responding to any concerns about inappropriate behaviour.

Our Values shape our identity – it's what set us apart and it tells prospective employees what it's like to work at IPART and "how" we do our work.

Through a consultative approach with employees, and the Tribunal, a new set of Values were launched in September 2021. They support our purpose, aspirations and guiding principles as one of the building blocks of our organisational culture and purpose. The Values are accompanied by a set of behaviours to provide guidance on what demonstrating the values looks like. A number of strategic initiatives are underway to embed the new values in our systems, processes and ways of working.

In 2021-22 we responded to our 2021 People Matter Employee Survey results by identifying actions that might make the most positive difference to our workplace. These focused on:

- planning and prioritisation to support better resource allocation and use
- establishing better ways to communicate and collaborate across IPART
- better management of change across the organisation.

We implemented a range of initiatives to start to address the actions, including:

- developing business plans for each Division that we are now implementing
- holding monthly all staff meetings and regular office-based events
- our executives and key change managers completing change management training
- introducing our IPART staff newsletter (miNews)
- monitoring strategic initiatives more closely through the Executive Leadership Team and regularly reporting to staff on them,

We foster a safe and healthy work environment for our staff. Throughout the year we:

- provided a choice for our people to work from home or in a well-designed office space
- supported a very flexible approach to where and when our people work

-
- promoted health initiatives through the corporate fitness program, influenza vaccinations, social activities and participating in Steptember
 - provided cultural competency training for our full executive
 - promoted our 'employee assist' program, which offers counselling, career and skill development services
 - undertook Work Health and Safety inspections of our office space.

Developing our people

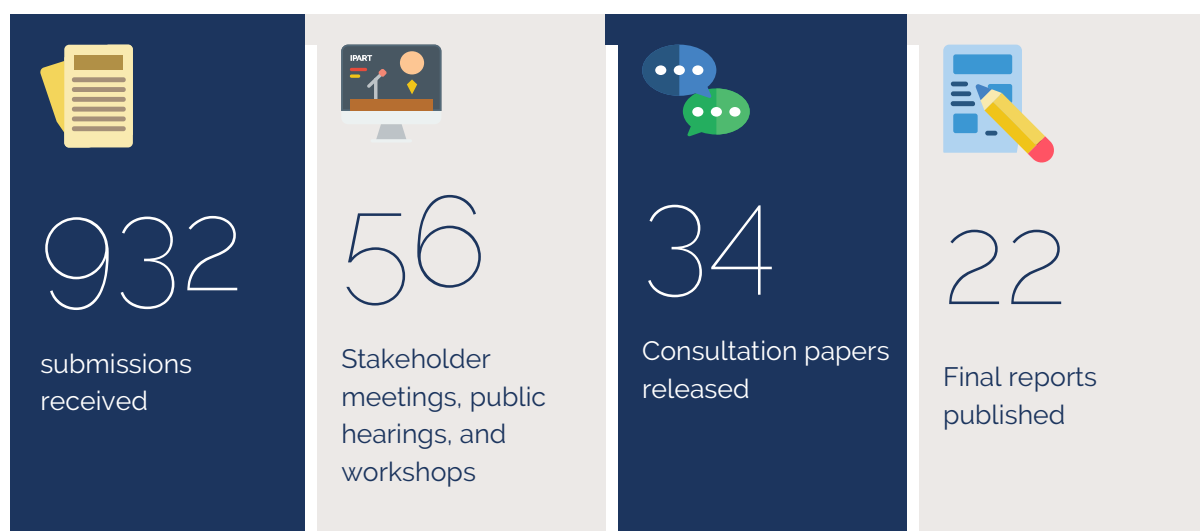
We continue to provide opportunities for our people to have experiences that develop their capabilities to better enable us to deliver our functions and increase job satisfaction.

Some of our activities in 2021-22 included:

- supporting improved leadership capability through change management training
- providing formal learning in project management, plain English writing and stakeholder engagement
- 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
- developing an IPART Capability Development Framework ready for implementation in the next performance cycle.

Regular internal training seminars in core regulatory capabilities such as various economic techniques and approaches continued during 2021-22. We continue to require our people to complete mandatory training to ensure we execute our work safely and responsibly. These modules included Workplace Health and Safety, Privacy and Cyber-Security.

Meaningful engagement with a broader range of stakeholders



We are focussed 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.

We redesigned our approach in the most recent stakeholder survey with the intention to get more detailed feedback from a wider group of stakeholders. We also committed to the following actions:

- Responsiveness. Be upfront about when and how often you can expect to hear from us in response to your queries.
- Clarity. Clearer outlines of how we will interact with different stakeholder groups and information about what is negotiable and what isn't.
- Understanding. More one on one engagement with stakeholders and increasing face to face interactions including in-person public hearings when that is preferred.
- Communication. Continue to improve our use of plain English and include plain English summaries of key documents on our website.

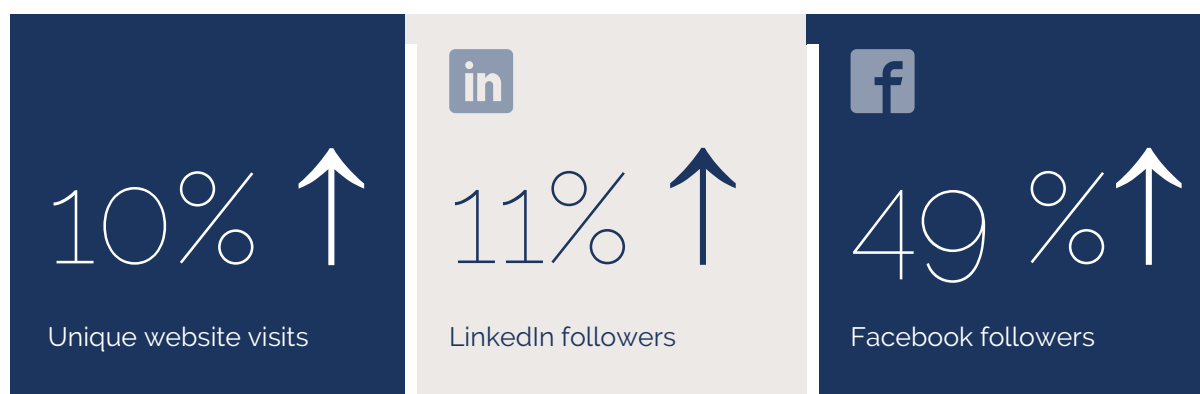
Engagement

We used a range of engagement 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
- providing options to interact with us in languages other than English

- continual improvement of our application and approval processes
- greater use of social media platforms including Twitter, Facebook and LinkedIn.

There has been increased engagement across all digital communications channels compared to the previous year. Unique visits to the website increased by 18,196 compared to the previous year representing a 10% increase. All social media channels continued to grow, with LinkedIn having the strongest reach at 2083 followers by the end of the year.



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 in providing value and choice
- protecting the environment and considering the broader community impacts of our decisions.

Since the adoption of our strategic plan, 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 adopted a statement and framework on climate change to help guide our work. It sets expectations for our stakeholders and regulated entities about how we will address climate change in our reviews and functions.

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 and workshops to encourage public understanding and debate and publish transcripts or summaries of these events as well as any agendas and presentation materials.

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

Water pricing

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

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.

We have continued to develop our thinking this year, hosting stakeholder workshops and publishing a series of Discussion Papers for the sector to provide key input into a new water regulatory framework.

In May 2022 we released our Draft Report, which proposed improvements in how we regulate water businesses. Our aim is to hold water businesses accountable in a way that delivers good short, medium and long-term customer outcomes.

Our proposed framework and guiding principles are centred around 3 key pillars: customers, costs and credibility – the 3Cs. The 3Cs framework is designed to make sure that water businesses deliver the best possible customer value: putting customers' long-term interests at the heart of everything the water businesses do and pushing innovation while keeping them accountable for the investments they make. This includes businesses being responsible for engaging with customers and responding to their feedback.

While IPART will continue to protect consumers from unjustified prices for water services, we do not want to see short-term thinking and cost cutting that would only lead to higher prices or poor water services in the future. Our proposed new regulatory tools will encourage prudent investment in infrastructure and new technologies so water businesses can deliver better long-term customer value. It will also promote effective co-ordination between Government, other regulators and the water businesses to deliver a resilient and efficient water sector.

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 the Water Administration Ministerial Corporation (WAMC) 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.

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.

We set maximum prices for the next 4 years for Central Coast Council's water, wastewater and stormwater services

Water, wastewater and stormwater services on the Central Coast are delivered by Central Coast Council. We set the maximum price that the council can charge residents and businesses for those services.

The last time we set these prices was in 2019. At that review, the council was unable to justify the prices it proposed, and we made a significant reduction in the maximum prices it could charge to 30 June 2022. This reduction meant that the water and wastewater bill for a typical resident on the Central Coast was relatively low compared to other utilities in NSW and around Australia.

In our recent 2022 price determination, we set maximum prices to 30 June 2026. These prices were higher than those we set in 2019 and bring typical water and wastewater bills more in line with what customers pay in both the Greater Sydney and Hunter regions.

The prices we set reflect our assessment of how much Central Coast Council should spend on its services to make sure they are sustainable in the long run. If it is relatively prudent with how it spends money on water, wastewater and stormwater services, the council should have enough revenue to make sure its systems are well maintained. It should also allow it to make the necessary investments in its infrastructure to improve its services over time.

We have also made clear that the council needs to be more transparent with the quality of services it delivers to residents and businesses. This will help the local community hold it to account for the services they receive

Energy Benchmarks and Monitoring

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.

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.

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.

The energy market is currently undergoing a period of volatility characterised by unprecedented wholesale prices and market interventions. Energy prices have generally risen over 2021-22 with the steepest increases having occurred since June 2022. We will report further on the current local and global challenges in the market in our next year's Annual Report.

Transport pricing

We reviewed fares for 7 private ferry operators that hold passenger service contracts with Transport for NSW

Seven private ferry operators in Sydney, the Central Coast, and far northern NSW provide regular passenger ferry services under contract with Transport for NSW (TfNSW). TfNSW sets the maximum fares for routes offered by the private operators based on an IPART determination under the *Passenger Transport Act 2014*. Operators may charge less than the maximum fare.

In December 2021, we determined the maximum fares for 1 January 2022 to 31 December 2025 as follows:

Table 1 Maximum private ferry fares 2022 to 2025 (\$nominal, incl. GST)

Operator	2022	2023	2024	2025
Brooklyn Ferry Service	9.30	Increase in line with *CPI ¹		
Captain Cook Cruises (Lane Cove to Circular Quay)	8.70	9.60	10.70	11.90
Central Coast Ferries	8.50	Increase in line with *CPI		
Church Point Ferry Service	10.00	Increase in line with *CPI		
Clarence River Ferries	9.80	Increase in line with *CPI		
Cronulla and National Park Ferry Service	7.60	Increase in line with *CPI		
Palm Beach Ferries – Mackerel Beach and the Basin	9.10	9.30	9.50	9.70

Note: All fares are rounded to 10c.

¹ *CPI – Change in CPI in period.

We decided to modify the fuel adjustment mechanism that applies each year of the determination to assess whether fares need to be adjusted (either upwards or downwards) by a change in the diesel price. We changed the trigger level to a 10% change in average price (up or down) over the course of the year, rather than 20%.

We also made recommendations to maintain existing Government subsidies (in the form of 'viability payments') for two operators, and phase them out over 4 years for a third operator, based on information about their efficient costs and forecast demand for their services.

We also recommended that, on completion of existing contracts or through negotiation with operators who have exclusive rights of renewal, Transport for NSW procure private ferry contracts through a competitive tender process.

Review of Rail Access Undertaking

We commenced a review of the NSW Rail Access Undertaking in July 2021. The current undertaking has been substantially unchanged since it was introduced in 1999. Over that time, the NSW rail industry has experienced sweeping changes, including the privatisation of Freight Corp, the Australian Rail Track Corporation (ARTC) leases over the Hunter Valley and interstate networks, and several restructures of the remaining government-owned entities.

While the 1999 Undertaking has proven flexible enough to permit these important reforms to take place, problems have emerged, ranging from the enforceability of pricing determinations, practical limits to the use of arbitration as a means of resolving disputes, the possibility of jurisdiction-shopping, and the difficulties faced by access seekers in promoting rail freight as an alternative to road transport.

IPART's review is scheduled to go until May 2023. The next milestone is a draft report, currently due in October 2022, to be followed by a November public hearing. The issues paper generated 8 submissions which have helped us to frame our work program.

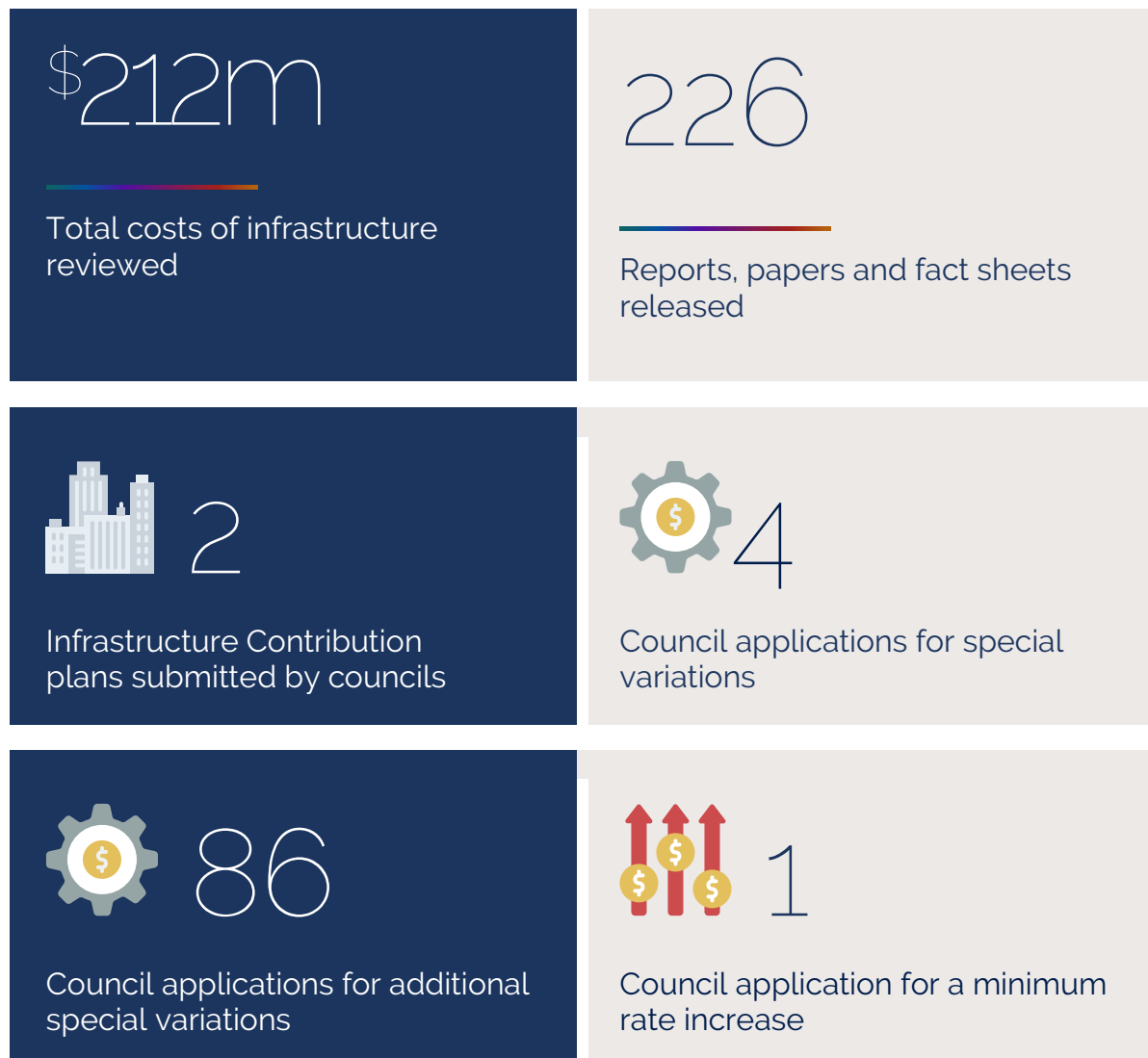
In 2020-21, in addition to our public transport fare reviews we:

- completed a survey of point-to-point transport use and published a report on the survey results (the report was not published until July 2022)
- completed our 2021 annual update to the net rates of return that are used by the Department of Planning and Environment (DPE) and Roads and Maritime Services to calculate their rents for domestic waterfront tenancies
- assessed Transport Asset Holding Entity (TAHE) compliance with the NSW Rail Access Regime for TAHE's Hunter Valley Coal Network during the 2020-21 financial year
- assessed 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 regulate the extent to which councils can increase their general income and review councils' developer contributions plans

We assist the Minister for Local Government and the Minister for Planning and Homes in regulating the extent to which councils can increase their general income, while protecting the community and ratepayers from excessive or unjustified costs. We also review the developer contribution rates set by councils to fund the infrastructure required by new development². While most of our activities proceed through well-established processes and have done so for many years, we are committed to continually improving how we deliver our local government functions.



² Under the *Environmental Planning and Assessment Act 1979* (EP&A Act).



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Submissions to our Draft Report on the review of Domestic Waste Management Charges



109

Submissions to our draft report on the review of the rate peg to include population growth

We set the rate peg for 2022-23 at between 0.7% and 5.0% including a population growth factor for some councils

The rate peg is the maximum percentage amount by which councils may increase their general income³ for a financial year. IPART is responsible for calculating and specifying this percentage change under delegation from the Minister for Local Government⁴.

Councils rely on rate revenue to provide their communities with services and infrastructure. Overall, costs for councils can increase year to year, for example if labour or construction costs increase. The rate peg is a cap on the additional rate revenue councils can collect for these increased costs.

IPART announced a rate peg of between 0.7% and 5.0% for 2022-23 on 13 December 2021. For the first time, the amount that councils are able to increase the revenue they can collect from rates will depend on their level of population growth.

For most councils the rate peg for 2022-23 is lower than the rate peg in previous years, which was 2.0% in 2021-22 and 2.6% in 2020-21. Councils cannot increase their general income in 2022-23 by more than their rate peg unless they seek and obtain approval from IPART for a special variation or additional special variation.

The calculation of the 2022-23 rate peg was based on an increase in the Local Government Cost Index of 0.9%, less a 0.2% adjustment for the additional income received over the previous year for the 2021 local government elections, and a population growth factor on a per council basis. We published an Information Paper on this decision on our [website](#).

³ General income mainly comprises income from council rates, but also includes other annual council charges.

⁴ The Minister has the power to set the rate peg under section 506 of the Local Government Act 1993 (LG Act).

We reviewed 4 special variation applications and 86 additional special variation applications from councils

IPART has made decisions on special variation applications from four 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 2022-23 for Kyogle Council. We also approved multi-year increases for Snowy Valleys Regional Council and Hunters Hill Council.

We decided to approve an extension of the current temporary increase for Central Coast Council for a further 7-year period. This will allow the council to increase its general income from rates through to 2030-31.

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.

This year the rate peg was set at a minimum of 0.7%, with some further increases allowed for councils with growing populations. The rate peg was lower than many councils expected and reflected the low inflation environment earlier in the COVID19 pandemic. A one off additional special variation process gave councils an opportunity to increase this figure.

Applications were assessed against guidelines provided by the Office of Local Government. The guidelines required councils to show that they had budgeted for higher income than that provided by the rate peg and that the additional money was needed to deliver on the projects already planned and included in council budgets.

IPART has approved applications by 86 NSW councils to increase their rates above the level of the annual rate peg. Councils received increases of between 1.6% and 2.5%. We will also be reviewing the rate peg methodology in 2022-23.

We have also approved increases to the minimum rates of Cumberland City Council. The application responds to a government requirement to harmonise rates and will allow the council to make rating structures consistent across the merged council. 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 DPE's Infrastructure Contributions Practice Note (2019 Practice Note).

We completed assessments of 2 local infrastructure contributions 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 also commenced our assessment of a further 2 contribution plans:

- Liverpool Council's Contribution Plan for Austral and Leppington North.
- Liverpool Council's Contribution Plan for East Leppington.

We generally aim to assess plans within six months. Information gaps in the council's application could extend the timeframe for the review.

We reviewed the rate peg to include population growth

We have reviewed the current system for setting council rates revenue (the 'rate pegging system') to include population growth. The amount councils have received in rates is usually not enough to cover the increased costs associated with population growth.

The methodology we have adopted 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 looked at population growth in rural and regional NSW, as well as Sydney and other metropolitan areas. We released a final report in October 2021.

We reviewed 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 DPE's 2019 Practice Note.

We were asked to provide advice to inform an essential works list that would apply to all section 7.11 contributions plans and on the approach councils should use to determine the most efficient local infrastructure to meet the needs of new development, applying the principle of nexus⁵. We were also asked to develop and maintain standardised benchmark costs for local infrastructure that reflect the efficient costs of provision.

We completed these reviews in February 2022. Our report and recommendations are still being considered by the Minister and are yet to be publicly released.

⁵ Nexus is established when the infrastructure is required due to the development.

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

We have continued our review into domestic waste management (DWM) charges. These charges are levied by councils to recover the costs of providing DWM services including kerbside collections for landfill, recycling, green waste and food organics, and periodic bulky goods clean-ups, and associated services.

In the past we have decided not to limit the DWM charges set by councils, and our review is considering if this approach remains appropriate.

We have been exploring opportunities for improving transparency for customers and councils. In 2021, we published a Draft Report seeking feedback on our draft decisions

After the close of this financial year we considered submissions and feedback provided in response to the Draft Report in progressing the final stages of the review. We are currently preparing our Final Report and intend to publish it in October 2022.

We decided not to limit DWM charges for councils in 2021-22.

Other industry reviews

We reviewed Fire and Rescue NSW's fees and charges

Fire and Rescue NSW (FRNSW) is the NSW Government agency responsible for providing fire and rescue services in cities and towns across NSW, and hazardous material (hazmat) incident and counter-terrorism responses in all parts of the state. FRNSW is also responsible for fire prevention and safety in buildings through planning advice, approvals and inspections, automatic fire alarm (AFA) management, training and community education.

We reviewed and made recommendations on FRNSW's fees and charges in five areas:

- Hazmat services
- Fire safety in the built environment services
- False alarm callouts
- Automatic fire alarm management services
- Other miscellaneous charges.

Our approach was designed to ensure FRNSW's charges reflect the efficient cost of delivering its services and provide appropriate incentives for people to avoid incidents and events that require FRNSW's services.

FRNSW does not charge for attending fires within its fire districts or for rescue operations. Insurers of property in NSW, local councils, and NSW taxpayers fund these services via the Emergency Services Levy (ESL). We did not review the ESL.

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

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.

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 are reviewing NSW's competitive neutrality regime

In February 2022, we commenced a review of NSW's competitive neutrality policy and processes.

Competitive neutrality policies aim to ensure that government businesses that compete with the private sector should not have a competitive advantage over other businesses solely due to their government ownership. They aim to ensure a level playing field between government business activities and their non-government competitors.

Our review will evaluate the scope and effectiveness of the NSW competitive neutrality policies and processes. We will identify issues and concerns with current competitive neutrality policies and analyse opportunities to expand their scope to other Government activities. We will also consider how the policies compare to best practice and recommend potential improvements.

We will present a Final Report to the Treasurer and Minister for Customer Service by February 2023.

Submissions to external regulatory reviews

There were 2 submissions to external regulatory reviews this year:

- Submission to the Public Accountability Committee Inquiry into the Transport Asset Holding Entity – October 2021
- Submission to the ACCC consultation on the regulatory framework for Australian Rail Track Corporation's interstate network – October 2021
- Submission to the NSW Parliamentary Inquiry into Embedded Networks in NSW – June 2022.

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.

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 a review of the arrangements governing third-party access to rail infrastructure in NSW.

Local Government

- Review the rate peg methodology.
- Assess applications from councils for special variations above the rate peg and minimum rate increases.
- Complete our review of domestic waste management service charges.
- Review councils' local infrastructure contributions plans.
- Set the rate peg.

Other

- Complete a review of prices for interoperable electronic conveyancing transactions.

This review is significant because electronic conveyancing is used to settle many conveyancing transactions in Australia. Interoperability is important because having different systems being able to 'talk' to each other gives customers a choice of which Electronic Lodgment Network Operator they use. Final terms of reference were issued by the Minister for Customer Service on 27 June 2022 and the final report will be prepared by 30 April 2023.

- Complete our review of competitive neutrality regime.
- Commence our review of the Early Childhood Education and Care (ECEC) market.

In June 2022, the NSW Government announced the Early Years Commitment, a \$15.9 billion investment over 10 years to transform ECEC in NSW. This reform plan will change and deepen the NSW Government's relationships and responsibilities in the ECEC sector. NSW will grow beyond its responsibilities of preschool funding and ECEC regulation into funding and shaping outcomes across more ECEC settings. The NSW Government wants its investment to improve accessibility, affordability, quality and safety outcomes, not only the sector's commercial performance.

IPART will be asked to undertake a review of the market and report on factors which drive affordability, accessibility and consumer choice across different child and family groups and estimate benchmark prices that can be used as a standard to measure and compare ECEC fees.

Keeping regulated entities accountable

We regulate entities that operate in competitive and uncompetitive markets, including some entities that are monopolies. Our regulated entities include public and private water utilities, gas and electricity network providers and those parties involved in the Energy Security Safeguard.

In some cases, we have a safety or public health role, and in others we have a role in protecting customers or consumers, or the environment.

To help achieve these outcomes and keep regulated entities accountable in complying with their regulatory requirements, we undertake a risk-based approach to monitoring compliance with their licence conditions and/or other regulatory requirements. Our regulatory activities take the form of operating licence reviews, compliance auditing, and the provision of guidance and other information to regulated entities and stakeholders.

During 2021-22 we continued to monitor regulated entities' performance against their licence requirements



Water Regulation and Compliance

IPART is responsible for undertaking regulatory functions related to the operating licences for Hunter Water Corporation (Hunter Water), Sydney Water Corporation (Sydney Water) and WaterNSW. We also undertake functions under the *Water Industry Competition Act (2006)* (WIC Act) to make recommendations to the Minister for Lands and Water on whether to grant or refuse licences and to administer those licences.

In 2021-2022 we:

- audited the compliance of Sydney Water, Hunter Water and WaterNSW against their operating licences
- completed reviews of the statutory operating licences held by Hunter Water and WaterNSW
- released revised reporting manuals for Hunter Water and WaterNSW to clarify reporting obligations and reduce regulatory burden
- released the redesigned and simplified WIC Act application form and guidance documents to improve workflow and prepare for the introduction of the updated WIC Act
- released the revised WIC Act reporting manual to clarify reporting obligations and simplify the reporting process by providing downloadable forms
- revised our approach to WIC Act audits to better target audit resources to areas of high risk, improve consistency across WIC Act licensees and provide more certainty to licensees and auditors
- continued working with DPE on the new WIC Regulation, which is expected to be gazetted by the end of 2022. The updated WIC Act received the Governor's assent on 1 November 2021 and will commence at the same time as the new WIC Regulation is gazetted
- started drafting the required guides and processes in time for the commencement of the updated WIC Act
- continued to improve and upgrade our database for collating, managing and reporting licensing and compliance data (WILMA – Water Industry Licence Management Application)
- monitored the compliance of 20 network operator licensees and 11 retail supplier licensees under the WIC Act, including the completion of 18 audits
- completed assessment and recommended the Minister to grant approval for one WIC Act licence variation
- completed 4 five-yearly WIC Act licence reviews.

The recycled water industry continued to expand with a 5% increase in the number of customers receiving recycled water for non-drinking purposes. The industry experienced a 13% increase in the volume of recycled water produced, as Covid-19 related lockdowns ended. We note that the increase in volume can be attributed to industrial schemes increasing output and more residential customers were being connected to the residential schemes.

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

- Overall compliance continued to improve, with one additional licensee being granted a reduced audit requirement (from annual to biennial) due to their good compliance history.
- We noticed that the number of non-compliances identified through our audits has decreased, but licensees' self-reported incidents and non-compliances have increased. This could be attributed to licensees being more vigilant in identifying, reporting and rectifying non-compliances.

- We have observed an increase in the number of enquiries on licensing under the WIC Act in the first half of 2021-22. This could be due to an increase in demand in housing in non-metropolitan areas coupled with rising house prices at that time.
- We received an increased number of licence variation applications in the last few months of 2021-22. The commencement of the amendments to the WIC Act in late 2022 is likely to have triggered the increase. The transition of current licences into the new licensing framework during the 12-month transitional period is likely to delay the assessment of any licence variation. Licensees are therefore hoping to vary any existing licences prior to transition.

Energy Network Regulation

We have a role in holding the electricity network operators in NSW accountable for safety, reliability and for compliance with licence conditions issued by the Minister and the relevant provisions of the *Electricity Supply Act 1995* (ES Act) and *Electricity Supply (Safety and Network Management) Regulation 2014* (ES Regulation). We administer the licences and authorisations and undertake compliance for gas reticulators and distributors in NSW.

During 2021-22, we monitored the compliance of electricity network operators in NSW with their licences and relevant legislative requirements. We will provide our annual compliance report on licence compliance to the Minister for Energy by 31 October 2022.

Specifically, we:

- monitored compliance of the 4 licensed electricity network operators 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, Endeavour Energy and Essential Energy
 - the reliability and performance licence conditions applicable to Ausgrid, Endeavour Energy and Essential Energy
- monitored performance with the relevant legislative provisions for NSW electricity network operators for the safe operation of their electricity networks, including ACT, Queensland, and Victorian interstate operators with assets in NSW, Sydney Trains and other applicable NSW light rail operators
- directed audits of Transgrid, Ausgrid, Endeavour Energy and Essential Energy's bush fire risk management
- directed an audit of Ausgrid's actions undertaken following our previous direction that Ausgrid modify and implement its Electricity Network Safety Management System. These directions were in response to non-compliances identified in previous audits of Ausgrid's public and worker safety component and the management of risks of working on or near the network in respect of energised assets

- continued to monitor safety, reliability and third-party property incidents that occurred on the networks of Transgrid, Ausgrid, Endeavour Energy, Essential Energy, and reviewed the preventative and mitigative actions that the network operators undertook in response to these incidents
- monitored compliance with the NSW code of practice for environmental impact assessments
- monitored compliance of Ausgrid, Endeavour Energy and Essential Energy against the NSW Public Lighting Code
- administered 10 licences/authorisations for gas distributors/reticulators.

We conducted a review of the 4 licensed electricity network operators in NSW to assess whether the licence conditions remain appropriate, reflect current public expectations and regulatory practice. We anticipate that we will provide our final report outlining our recommendations to the Minister early in 2022-23.

In 2021-22 we commenced work on a 3-year Strategic Plan for our role in regulating energy networks in NSW. We assessed information on network risks and engaged with targeted stakeholders to identify potential regulatory opportunities and inform the development of our strategic plan and framework to regulate the network operators in NSW. We engaged with a range of stakeholders including regulated entities, NSW and Commonwealth Government agencies and departments, industry representatives, and other jurisdictional regulators or organisations to discuss current and emerging regulatory matters such as safety, industry codes or legislative provisions, network operator practices and compliance of network operators with their relevant obligations.

Once finalised this strategic plan is intended to assist IPART to:

- achieve our regulatory objectives and deliver better outcomes for NSW
- engage constructively with electricity networks and stakeholders
- deal with climate change risks
- actively improve our regulatory approach.

We issued the consultation draft plan to stakeholders in early August and will consider their comments before finalising it. The plan is expected to be finalised in early 2022-23.

Energy Savings Scheme administration and regulation

In 2021-22 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 Administrator and Regulator, we aim to promote and protect the integrity of the scheme and the interests of energy consumers by:

- monitoring compliance with the ESS target each year
- monitoring and managing participants' compliance with legislative requirements and conditions of accreditation
- engaging with participants to provide support and guidance to help them understand compliance requirements and expectations

In accordance with our statutory reporting requirements, we report annually to the Minister for Energy 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 2021 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 4,512,439 certificates. This demand provided a financial incentive for Accredited Certificate Providers to create 4,262,581 certificates in 2021 by implementing energy savings activities. As in previous years, around 69% of the certificates created in 2021 were due to energy savings from lighting activities in the commercial, small business and residential sectors.

We estimate actual electricity savings of 3,547,767 megawatt hours (MWh) and actual gas savings of 210,770 MWh were realised under the scheme in 2021. In addition, an estimated 17,603,113 MWh of electricity savings and 919,801 MWh of gas savings will be delivered over the next 10 years from energy saving activities implemented since the scheme commenced.

In 2021 compliance by Scheme Participants was high. We consider this is due to regulated entities becoming more experienced with the ESS. We also proactively engaged with stakeholders to improve our guidance and to better target our compliance activity.

Of the 112 Scheme Participants operating in the scheme, 88 complied with their individual energy savings target. Of the remaining 24 Scheme Participants, 11 complied by carrying forward a shortfall to 2022 and 13 elected to pay the shortfall penalty.

In 2021, 48 active Accredited Certificate Providers were operating in the ESS. There were fewer instances of non-compliance identified in 2021 than in 2020. Most of the non-compliance involved improper creation of certificates.

There were 5 instances of non-compliance from failing to meet record keeping requirements. While the number of improperly created certificates has increased by around 6,800 certificates (20%) from 2020, 85% of the improperly created certificates was represented by one project where the Accredited Certificate Provider followed Scheme Administrator published guidance which was incorrect. The Scheme Administrator did not require forfeiture of certificates for this project.

The Scheme Administrator also issued 2 penalty notices to one Accredited Certificate Provider in 2021. 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.

In late 2019, the NSW Government released the NSW Electricity Strategy (Strategy) marking the beginning of a period of major reform for the ESS. The Strategy, which came into effect in May 2020, proposed extension and expansion of the ESS under a new name, the Energy Security Safeguard (Safeguard).

The Safeguard aims to improve the affordability, reliability, and sustainability of energy and currently includes 3 separate schemes, the ESS, the Peak Demand Reduction Scheme (PDRS), and the Renewable Fuel Scheme (RFS). The PDRS was established in September 2021 and scheme liability is set to commence on 1 November 2022. The RFS legislation was enacted in December 2021 and will commence in 2024.

Through 2021-22, IPART has been preparing to implement the expanded Safeguard, building capacity to support Safeguard regulation and administration needs and to inform, prepare and transition stakeholders. This has included the development of a new, integrated IT system, The Energy Security Safeguard Application (TESSA), to replace multiple existing systems and manual processes. TESSA will improve external user experience and provide a single source of truth on data pertaining to the Safeguard. TESSA is expected to go live in the first half of FY22/23.

The NSW Government has committed to regularly updating the *Energy Savings Scheme Rule of 2009* (ESS Rule). Updates are managed by the Office of Energy and Climate Change (OECC). We collaborate with OECC in this process and provide advice and guidance on proposed changes. In early 2022, OECC completed the 2021 ESS Rule change which included new and updated activities (including new activities that involve the installation of new or replacement water heaters). We provided information to our stakeholders about the impact that changes will have on them and updated our guidance material. We also updated our policy to allow combined accreditations for these activities. This makes it easier to be accredited for these activities and reduces barriers to entry for both current Accredited Certificate Providers and new applicants.

NSW Electricity Infrastructure Roadmap

The NSW Electricity Infrastructure Roadmap is the NSW Government's plan to transform the NSW electricity system so that it is cheaper, cleaner and more reliable. It coordinates investment in transmission, generation, storage and firming infrastructure as ageing coal-fired generation plants retire. In 2021 the NSW Government appointed IPART as a regulator under the NSW Electricity Roadmap. This is a new function for IPART.

IPART's role in the Roadmap has 2 key dimensions:

1. Assessing whether the Renewable Energy Sector Board Plan
 - protects the financial interests of NSW electricity customers; and

- is consistent with Australia's international trade obligations.
2. Reviewing the performance of the different entities with functions under the *Electricity Infrastructure Investment Act 2020* (NSW) against statutory and other objectives. These entities include the Consumer Trustee, Financial Trustee, Scheme Financial Vehicle and Infrastructure Planner. We are required to prepare annual reports on the performance of these entities against statutory and other objectives and conduct performance audits. We received the Renewable Energy Sector Board Plan on 1 June 2022. On 6 July 2022 we made our recommendation to the Minister for Energy that we were satisfied with the Plan.

Our focus on the year ahead for regulation and compliance

Water regulation and compliance

In our water regulation and compliance role we plan to:

- audit the compliance of Sydney Water, Hunter Water and WaterNSW against their operating licences
- complete our review of the regulatory framework for the water utilities that we price-regulate
- commence reviews of the statutory operating licences held by Sydney Water and WaterNSW
- develop new frameworks, processes and guidelines for our assessment and compliance functions under the updated WIC Act, including transitioning existing licences, updating our compliance database and considering climate change risks
- develop a new WIC Regulation to support our licensing and compliance functions under the updated WIC Act
- continue to assess licence and variation applications, and to monitor compliance of licensees, under the WIC Act
- continue to investigate ways of improving compliance by all licensees
- commence the development of a strategy for our water regulation work over the next 3-5 years.

Electricity network safety and reliability

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

- undertake activities to monitor and enforce compliance with the safety and reliability regulations for electricity network service providers, with an audit of bush fire preparedness of Ausgrid, Endeavour Energy and Essential Energy
- continue to assess compliance of licensed electricity network operators against their licences, including reliability and critical infrastructure requirements
- assess compliance of licensed electricity network operators against the requirements of the ES Act and ES Regulation including aspects of their safety management systems
- understand licenced network operators' plans to adapt to climate change
- assess performance of other non-licensed electricity network service providers against the requirements of the ES Act and ES Regulation including aspects of their safety management systems and bush fire preparedness
- 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 and finalise our 3-year Strategic Plan for the regulation of energy networks in NSW and begin to implement it.

We have published our 2021-22 Compliance and Enforcement Priorities:

- Bush fire risk mitigation (vegetation management)
- Critical Infrastructure licence compliance
- Climate change adaptation
- Public safety (contact with the network)

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, encourage further participation and minimise the potential for non-compliance
- introduce TESSA, a new IT system that will improve user experience and replace existing fragmented systems
- contribute to the ongoing development and implementation of the Energy Security Safeguard, including implementing the new PDRS scheme and planning for implementation of the RFS scheme.

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 2021-22.

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.

The Tribunal met 44 times in 2021-22.



Carmel Donnelly PSM – Chair
BA(Hons), MBA(Exec), MPH, GAICD

Carmel is an experienced chief executive, board member and regulator with over 35 years of public sector experience. She was the Chief Executive of the State Insurance Regulatory Authority (SIRA) and has also held executive roles in emergency services and insurance regulation. Carmel's career has been focused on improving financial, economic, health and social outcomes for both individuals and the broader NSW community.

In January 2022, Carmel was awarded the Public Service Medal for outstanding public service to regulatory reforms in NSW.

Carmel commenced as Chair of the Tribunal on 1 July 2021 and has been appointed for a term of 5 years to 30 June 2026.



Deborah Cope – Tribunal Member
B Econ(Hons)

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 term of four and a half years to 2 February 2022 and has since been extended for a further term of three years to 2 February 2025.



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.

Mike Smart – Deputy
BA Magna Cum Laude in Astrophysics from Harvard

Mike has been the Chief Economist at IPART since May 2015 and was appointed a Deputy Tribunal member in February 2020. Prior to these IPART roles, he was a consulting economist in private practice for 15 years.

Delegated powers

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

During 2021-22, the Tribunal delegated:

- certain functions to a Delegated Tribunal, which comprises Tribunal members Deborah Cope and Sandra Gamble. The terms of this delegation were wide ranging and allowed, 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 2021-22 and the delegation was revoked during the year.
- its responsibilities for reviewing Local Government Contributions Plans under the *Environmental Planning and Assessment Act 1979* to a committee. The committee were appointed late in the financial year so did not meet in 2021-22 but will reconvene in 2022-23. The committee comprised Deborah Cope (Chair), Michelle Coco, Sue Weatherley and Tim Moore.
- 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 Naveena Rajaretnam. It met 9 times in 2021-22.

- 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 Environment⁶ approved this delegation. The Tribunal delegated scheme administrator and scheme regulator functions to a committee comprising Sandra Gamble, Christopher Spangaro and Fiona Towers. It met 22 times in 2021-22.
- 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 (CEO)** who manages 4 executive employees, the executive office and the Strategic Communications team. 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 4 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.

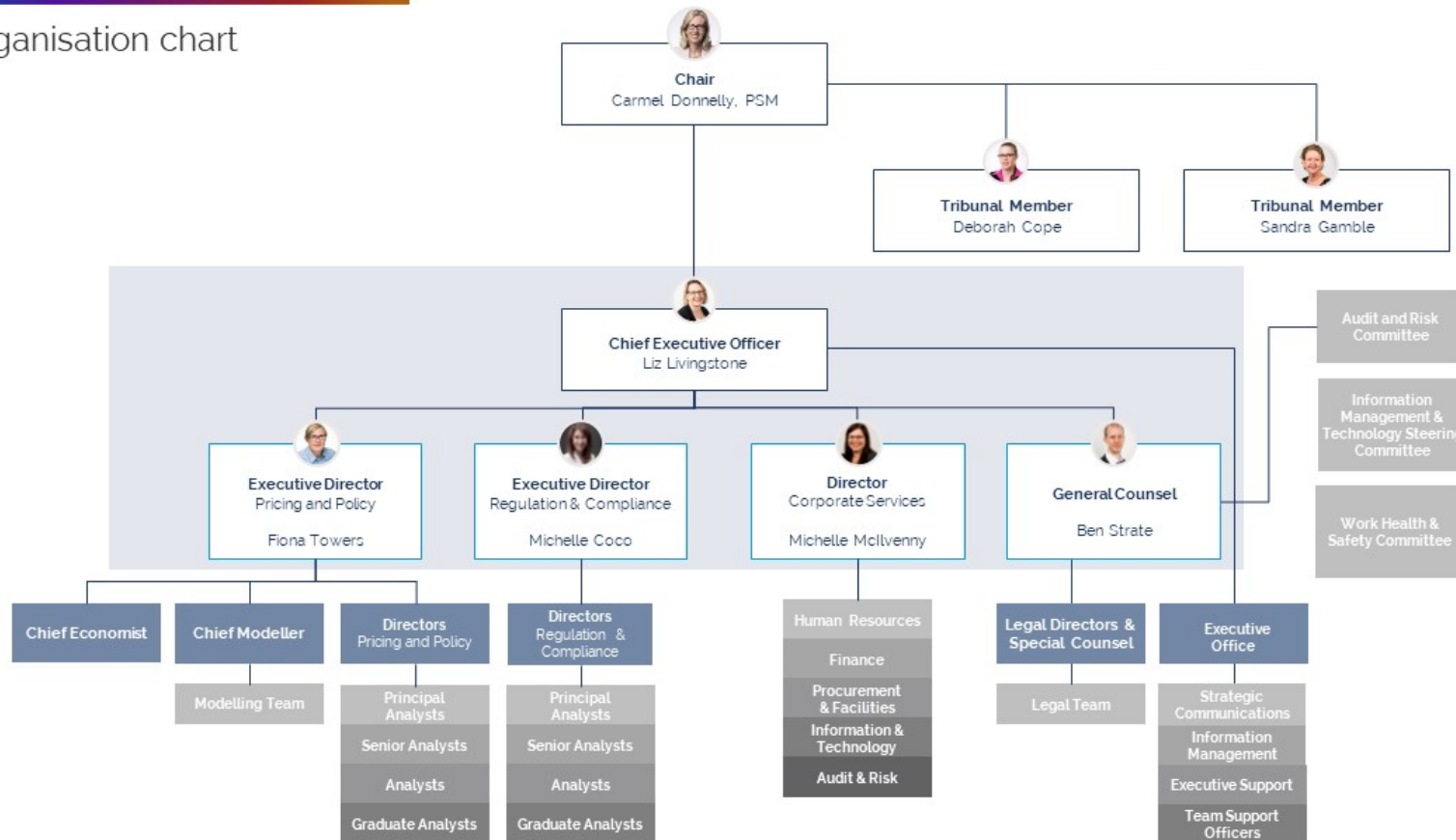
In addition, for some of our reviews, we commission consultants to undertake additional research and provide the Tribunal with the highest quality advice on complex topics.

⁶ Relevant Minister is now titled the Minister for Energy.

Organisation Chart



IPART organisation chart



Chapter 4 >>

Financial Overview

04

Budget review 2021-22

The budgeted amounts for IPART are drawn from the original budgeted financial statements presented to Parliament for the reporting period. Subsequent amendments to the original budget 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 \$307,000 and lower than the budget by \$4,319,000.

Total expenses including losses were higher than budget by \$866,000. The increase in expenses was mainly due to an increase in work undertaken on behalf of other NSW government agencies.

Total revenue was lower than budget by \$3,453,000. This was due to the appropriations drawn down from Treasury being lower than what was budgeted, resulting from delays in implementing Treasury funded projects.

Assets and Liabilities

Total assets were \$6,010,000 and were lower than budget by \$3,818,000. This is mainly due to reclassification of capital funding of \$5,110,000 carried forward to financial year 2023, offset by a \$1,271,000 increase in cash and cash equivalents and \$307,000 increase in receivables. The increase in receivables included amounts owing from NSW government agencies on account of work commissioned.

Total liabilities were \$4,701,000 and were higher than budget by \$1,009,000 due to an increase in payables and provisions.

Cash Flows

Net cash flows from operating activities were \$132,000 and were higher than budget by \$212,000 mainly due to a \$2,077,000 decrease in payments, offset by a \$1,865,000 decrease in receipts.

Net cash flow from investing activities were \$148,000 outgoing and were lower than budget by \$32,000 due to the capital budget not being fully used.

Outline budget for 2022-23

In 2022-23 IPART anticipates it will spend \$41,266,000 (\$41,086,000 recurrent and \$180,000 capital funding) on price setting activities for water, public transport and local government; regulating access to water and wastewater to encourage competition and re-use; conducting special reviews at the Government's request, on issues such as pricing, efficiency, industry structure and competition; administering the Energy Savings Scheme; and implementing the Energy Security Safeguard Program (see chapter 2).

Appendices



Appendix A >>

Legislative functions



A.1 Overview

IPART has a wide range of legislative functions, including some functions that we do not necessarily undertake each year.

A.2 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.3 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.

In 2021-22, a minor amendment to the IPART Act gave IPART the power to amend its determinations to correct a minor, obvious, clerical or administrative error.⁷

⁷ See IPART Act, s 32.

A.3.1 Regulating prices and reviewing pricing policies

Under the IPART Act, we conduct investigations and makes reports to the relevant Minister on the determination of maximum prices for specified government monopoly services supplied by government agencies. We also conduct 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 our 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 we currently has a standing reference are:

- Sydney Water Corporation
- Hunter Water Corporation⁸
- water supply authorities constituted under the *Water Management Act 2000*
- county councils established for the supply of water
- Transport for NSW
- 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.⁹

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

⁸ 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*.

⁹ 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 we may initiate an investigation is by a reference from the Minister for Customer Service and Digital Government. Under section 12 of the IPART Act, the Minister for Customer Service and Digital Government 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. We may ask the Minister for Customer Service and Digital Government 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 our activities are conducted through a public process. The main requirement is that we must hold at least one public hearing for each pricing or access investigation. We 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.

We must make a document obtained by us 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 we must consider

Under section 15 of the IPART Act, we are 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 we consider 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 and Digital Government may also require IPART to consider specific matters, in addition to the section 15 matters, in its investigations.

How we set 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, we may fix maximum prices in any way we consider 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.

We 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. We may only do this if we consider that it is impractical to fix maximum prices directly. A methodology may be made in any manner that we consider 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, we 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 under the IPART Act are not permitted to levy prices which exceed the maximum prices determined by us. 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 our recommendations to which they are subject have been implemented, and reasons for any non-implementation.

Release of reports and determinations

We submit our reports for price determinations under the IPART Act to the Minister for Customer Service and Digital Government. 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.3.2 Reviewing industries, pricing or competition

Under section 12A of the IPART Act, the Minister for Customer Service and Digital Government 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, we are not specifically required to have regard to the various matters listed in section 15 of the IPART Act.

A.3.3 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, we have a duty to ensure that giving effect to the arrangement will not interfere with our ability to exercise our usual functions. Several examples are shown in the 'Our Performance' section of this report.

During the financial year 2021-22, we commenced, continued or completed notable special reviews under section 9 or 12A of the IPART Act on:

- electricity distribution reliability standards
- fees and charges raised by Fire and Rescue NSW

- third-party access to rail infrastructure in NSW
- interoperability pricing for Electronic Lodgment Network Operators
- Competitive Neutrality policies and processes in NSW
- the Essential Works list, nexus, efficient design and benchmarking components of the local infrastructure contributions system.

A.3.4 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, we may appoint an arbitrator from a panel approved by the Minister for Customer Service and Digital Government or may undertake the arbitration ourselves. 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.3.5 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 and Digital Government. We are required to register all access agreements (section 12C).

A.3.6 Investigating complaints under competitive neutrality regime

We have a role in investigating and reporting on competitive neutrality complaints under the Competition Principles Agreement,¹⁰ so far as they are applicable to public authorities. If certain conditions are met, the Minister for Customer Service and Digital Government 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 we are to follow in investigating such a complaint (Part 4C).

In February 2022, we received a referral from the Minister for Customer Service to review competitive neutrality policies and processes in NSW. The Final Report is due in February 2023.

A.3.7 Investigating and reporting in relations 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.

¹⁰ The Competition Principles Agreement was made on 11 April 1995 by the Commonwealth, the Territories and the States.

A.3.8 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 (see section A.9).

A.4 Licensing

We are 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*, we are 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.

We are 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. The *Water Industry Competition Amendment Act 2021* will make substantial changes to this legislative framework, but those amendments have not yet commenced¹¹.

To fulfil our role under these Acts, we also monitor licence compliance and report annually to the relevant Minister regarding such compliance. We also have specific licence auditing responsibilities for the electricity and water industries.

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

A.5 Energy price monitoring

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

¹¹ Expected commencement date is 1 July 2023.

A.6 Transport pricing regulation

A.6.1 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 our determinations or recommendations, we are 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 we consider relevant.

In April 2021, we received a referral from the Minister for Transport and Roads to determine appropriate maximum fares for private ferry services from 1 January 2022 to 31 December 2025. We provided the final report in December 2021.

We also have functions under the NSW Rail Access Undertaking and the *Transport Administration Act 1988*. In June 2021, IPART received a referral from the Minister for Customer Service to review the NSW Rail Access Undertaking. We will provide our final report by December 2022.

A.6.2 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.7 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.8 Energy Security Safeguard

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 will eventually consist of three 'schemes', and the NSW Energy Savings Scheme (ESS) is the first such scheme (although the ESS originally commenced on 1 July 2009). The Peak Demand Reduction Scheme (PDRS) will commence in November 2022, and the Renewable Fuel Scheme (RFS) will commence in January 2024.

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. The PDRS and RFS are designed along similar lines but are intended to incentivise reductions in peak demand for electricity and the production of green hydrogen and other renewable fuels respectively.

IPART functions as both the scheme administrator and scheme regulator for the three Safeguard schemes. As scheme administrator and scheme regulator, we are responsible for assessing applications, accrediting parties to undertake eligible activities and to create certificates, monitoring compliance and monitoring the performance of scheme participants. We also manage the registration and transfer of certificates created from recognised activities.

In 2021-22, the *Electricity Supply Act 1995* was amended to:

- strengthen the Safeguard's compliance and enforcement regime
- provide for information sharing arrangements between IPART and other government agencies; and
- facilitate a broader range of fuel-switching projects within the ESS.

A.9 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*.

Our 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*.

We must report annually on our local government functions.

We commenced, continued and/or concluded the following reviews in 2021-22 in relation to local government:

- We received a request from the Minister for Local Government to commence a review of the rate peg to include population growth in December 2020. We presented our final report to the Minister in September 2021.
- We commenced our review of the Hills Shire Council's Contribution Plan No.18 – Bella Vista and Kellyville Station Precincts in April 2021, and concluded the review in February 2022.
- We commenced our review of Lane Cove Council's St Leonards South Precinct in June 2021 and concluded our review in December 2021.
- We commenced our review of the Essential Works list, nexus, efficient design and benchmarking components of the local infrastructure contributions system in July 2021 and concluded our review in February 2022.
- We commenced our assessment of Liverpool Council's Austral and Leppington North Precinct Section 7.11 Development Contributions Plan in September 2021. In December 2021, the review was put on hold.
- We commenced our assessment of Liverpool Council's East Leppington Precinct Section 7.11 Development Contributions Plan in October 2021. In December 2021, the review was put on hold.

A.10 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.

In April 2022, the ACCC formed the view that WaterNSW will cease to be a 'Part 6 operator' under the Commonwealth regime. As a result, in future WaterNSW pricing reviews (after the end of the current determination on 30 June 2025), we will not be setting prices for bulk water services provided by WaterNSW under the Commonwealth regime. Instead, we will set prices under the IPART Act.

A.11 Electricity Infrastructure & Licensing

A.11.1 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 2021-22, we also had functions in relation to the enforcement of the guaranteed apprenticeship intake requirement under the *Electricity Network Assets (Authorised Transactions) Act 2015*.

A.11.2 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 undertake a number of functions, including:
 - a) making five-year revenue determinations for network infrastructure programs
 - b) making annual contribution determinations in relation to the Electricity Infrastructure Fund, approving a risk management framework developed by the Consumer Trustee
 - c) reviewing tender rules in relation to long-term energy service agreements

d) assessing the Renewable Energy Sector Plan

IPART was the default Monitor and regulator until the appointments of AEMO as the Monitor and the Australian Energy Regulator as regulator for functions (a), (b) and (c) in 2021-22. IPART has also been appointed as a regulator under the Act for the purposes of function (d) and all other regulatory functions under the Act which have not yet been assigned to another person or entity. These other regulatory functions include auditing the performance of different entities under the Act and preparing annual reports.

A.12 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.13 Arbitrating insurance premiums

Additional functions have been conferred on IPART in relation to arbitrating insurance premium disputes. These functions allow us 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.14 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.15 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.

We commenced a review of competition, costs and pricing in the funeral industry in October 2020 and released our final report in August 2021. Accordingly, after the completion of this review, our role under this Act is complete.

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 and Digital Government'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

C

C.1 Tribunal meeting held in 2021-22

Meeting type	Number held	Attendee	Number attended
Tribunal	44	Carmel Donnelly, Chair	42 ¹² /44
		Deborah Cope, Tribunal member	44 ¹³ /44
		Sandra Gamble, Tribunal member	43 ¹⁴ /44
		Mike Smart, Deputy Tribunal member	4 ¹⁵
Energy Network Regulation Committee		Sandra Gamble, Chair	9/9
		Deborah Cope, Tribunal Member	9/9
		Naveena Rajaretnam, Committee Member	9/9
Energy Savings Scheme Committee		Sandra Gamble, Chair	22/22
		Christopher Spangaro, Committee Member	20/22
		Fiona Towers, Committee Member	22/22

C.2 Public hearings and forums held in 2021-22

Date	Investigation	Location
Water		
24 August 2021	Our process for Central Coast Council's water price review – information session	Online
21 September 2021	Review of how we regulate the water businesses – workshop	Online
26 October 2021	Central Coast Council water price review – public hearing	Online
22 March 2022	Hunter Water operating licence review – public hearing	Online
5 April 2022	Central Coast Council water price review – public hearing	Online
Energy		
8 October 2021	Scheme participant compliance - Auditor information session	Online
28 October 2021	ESS - stakeholder forum	Online
18 February 2022	2021 compliance year and the PDRS - scheme participant information session	Online
Transport		
23 September 2021	Private ferries fares - public hearing	Online
18 October 2021	Private ferries fares - public hearing	Online
Local Government		
20 July 2021	Review of the rate peg to include population growth - public hearing	Online
7 June 2022	Review of local councils' domestic waste charges - public hearing	Online
Other Industries		
10 December 2021	Review of the essential works list, nexus, efficient design and benchmark costs for local infrastructure - public hearing	Online
31 January 2022	Review of Fire and Rescue NSW's fees and charges - public hearing	Online

¹² Carmel Donnelly was an apology for 2 meetings for which Deborah Cope was the Acting Chair.

¹³ Deborah Cope was the Acting Chair for 2 meetings.

¹⁴ Sandra Gamble attended 4 of these meetings in part. Sandra Gamble was an apology for one full meeting.

¹⁵ Mike Smart acted as Deputy Tribunal member for one full meeting and 3 meetings in part.

C.3 Submissions received in 2021-22

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2021-22 and received a total of 932 submissions.

Projects	Submissions
Water	
Annual review of WaterNSW's rural water charges for 2022-23 – draft report	2
Central Coast water prices – draft report	66
Deferral of WaterNSW end of term operating licence review – fact sheet	4
Encouraging innovation in the water sector -discussion paper	9
Hunter Water operating licence review – issues paper	10
Hunter Water operating licence review 2021-22 – draft report	6
Promoting a customer focus - discussion paper	9
Review of Central Coast Council water, wastewater and stormwater prices – issues paper	175
Review of Essential Energy's water and wastewater prices for Broken Hill – issues paper	11
Review of Water NSW's Murray River to Broken Hill pipeline prices – issues paper	3
Review of Water NSW non-urban metering reform charges – supplementary draft report	13
WaterNSW 2022-2025 draft operating licence	5
WIC Licence Amendment Application - Narara Ecovillage	7
Transport	
Review of the NSW Rail Access Undertaking – draft terms of reference	4
Review of the NSW Rail Access Undertaking – issues paper	8
Review of private ferries fares for 2021 – issues paper	9
Review of Private Ferries fares from 1 January 2022 – draft report	5
TAHE compliance - Hunter Valley Coal Network – draft report	2
TAHE compliance - Hunter Valley Coal Network 2020-21 – draft decision	2
Energy	
Monitoring the NSW electricity retail market 2020-21 – draft report	3
Review of methodology - electricity network operators licence fees – draft report	3
Review of electricity network operators' licences – issues paper and draft report	6
Local Government	
Assessment of Contributions Plan No 18 - Bella Vista and Kellyville Station Precincts -draft report overview	2
Assessment of Contributions Plan No 18 - Bella Vista and Kellyville Station – information paper	2
Assessment of St Leonards South Precinct Contributions Plan Technical Paper – draft report overview	8
Essential works list, nexus, efficient design and benchmarking costs for local infrastructure – draft report	49
LG Application - Special Variation 2022-23	315
LG Application - Additional Special Variation 2022-23	43
Review of domestic waste management charges – draft report	80
Review of the rate peg to include population growth – draft report	51
Other	
Fire and Rescue NSW's fees and charges – issues paper	8

Projects	Submissions
Fire and Rescue NSW's fees and charges – draft report	6
Interoperability pricing for Electronic Lodgment Network Operators – draft terms of reference	3
Review of NSW Competitive Neutrality Policies and Processes – draft terms of reference	3

The number of submissions listed are those received in 2021-22. The total number of submissions to a paper can be found on our website.

Appendix D >>

Human resources

D

D.1 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 26.65% of the overall salaries-related expenses for 2021-22, compared to 31% in 2020-21.

D.1.1 Number of roles and gender breakdown at 30 June 2022

Band	2020-21		2021-22	
	Female	Male	Female	Male
Band 3 (Deputy Secretary)	1	0	1	0
Band 2 (Executive Director)	3	1	2	1
Band 1 (General Manager/Director)	12	7	11	6
Total	16	8	14	7

Note: only executives occupying a role – excludes secondments out /LWOP/Mat leave.

D.1.2 Average total remuneration package at 30 June 2022

Role	Range 2021-22	2020-21		2021-22	
		Female	Male	Female	Male
Band 3	\$354,201 - \$499,250	\$382,325	NA	\$392,854	NA
Band 2	\$281,551 - \$354,200	\$297,752	\$289,163	\$314,110	\$314,109
Band 1	\$197,499 - \$281,550	\$225,658	\$222,993	\$237,618	\$235,062

D.2 Tribunal member remuneration

D.2.1 Average remuneration as at 30 June 2022

Role	2021-22 ¹⁶
Tribunal Chair	\$311,400
Tribunal Members	\$136,508

¹⁶ Premier's Memorandum M2012-18 Classification and Remuneration Framework for New South Wales Government Boards and Committees.

D.3 Staff

D.3.1 Employee including Tribunal and Chair profile by employment category as at 30 June 2022

	2018	2019	2020	2021	2022
Chief Executive	1	1	1	1	1
Executive Directors & General Managers	5	5	4	3	2
Director Corporate Services	n/a	n/a	1	1	1
Director Corporate Services & CFO ¹⁷	1	2	n/a	n/a	n/a
Directors	16	15	16	14	14
Managers	4	3	6	6	7
Analysts	68	76	73	74	77
Graduate Analysts	1	1	1	6	8
General Counsel	1	1	1	1	1
Director, Legal & Special Counsel	3	3	4	4	3
Legal Officers	5	6	3	5	6
Support Officers	23	22	15	16	18
Supernumeraries	0	0	0	0	0
Casual Employees	4	2	0	0	0
Temporary Employees	0	0	0	4	6
Total number of employees includes full time, part-time, temporaries and graduates	132	137	125	134	143
Chair	1	1	1	1	1
Tribunal Members	2	2	2	1	2
Total number of Employees including members	135	140	128	136	146

D.4 Industrial Relations

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 Industrial disputes or changes to IPART's Award. The Award covering IPART employees was varied to increase salaries and salary-based allowances by 2.04%, effective 1 July 2021. This was in addition to the 0.5% increase to the rate of compulsory superannuation that came into effect on the same date. This was a result of a decision by the Industrial Relations Commission of NSW following application by the Industrial Relations Secretary and Unions. The Statutory and Other Offices Remuneration Tribunal (SOORT) determined to increase Public Service Senior Executive remuneration by 2.5% with effect 1 July 2021.

¹⁷ In 2020 the CFO role changed from IPART to the Department of Customer Service.

D.5 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 including percentage of women and people with disability in our workforce. 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.

We have initiatives in place to support this such as: flexible working, part time work, job share arrangements, provision of technologies on the IPART website for people with mild visual impairments, dyslexia, low literacy, and those with English as a second language; provision of an Auslan Interpreter for public forums where requested; celebration of key events such as Australia's Biggest Morning Tea, NAIDOC week, and R U OK? Day.

Our Disability Action Plan outlines our commitment to improving access to services and employment opportunities for our people, customers, stakeholders and suppliers with disability. In the year ahead we aim to replace this with a broader Belonging and Inclusion plan to identify and remove barriers that may exist in the workplace for people in all their diversity.

D.5.1 Trends in the representation of Workforce Diversity groups as at 30 June 2022

Workforce Diversity Group	Benchmark	2019	2020	2021	2022
Women	50%	60.2%	60.6%	59.2%	61%
Aboriginal and/or Torres Strait Islander People	3.3%	0.0%	0.8%	2.6%	0.7%
People whose First Language Spoken as a Child was not English	23.2%	13.5%	15.7%	26.4%	18.5%
People with Disability	5.6%	0.0%	0.0%	1.9%	2.1%
People with Disability Requiring Work-Related Adjustment	N/A	0.0%	0.0%	0.0%	1.4%

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

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

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

Source: NSW IPART 2021-22 Workforce Profile

D.5.2 Trends in the distribution of Workforce Diversity groups

Workforce Diversity Group	Benchmark/Target	2019	2020	2021	2022
Women	100	100	100	103	105
Aboriginal People and Torres Strait Islanders	100	N/A	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	N/A	97	94	95
People with a Disability	100	N/A	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A	

Notes: 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.

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

D.6 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

E.1 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. Our Privacy Management Plan is published on our website. No complaints or requests for internal reviews were received during the reporting year. Employees undertook mandatory privacy training in 2021-22 and new employees are briefed on the Plan as it relates to their role during on-boarding. We completed a privacy impact assessment (PIA) on the TESSA IT system and will continue to complete PIAs for relevant projects.

E.2 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.

E.3 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 Public Interest Disclosures policy was developed in accordance with the requirements of the *Public Interest Disclosures Act 1994*. 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 through mandatory training on fraud and corruption. Staff have access to the policy and information on our 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.

E.4 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 our role in Local Government we received 4 complaints relating to the Central Coast water price review. We also received 8 complaints concerned specifically about Central Coast Council's water prices and rates. Our 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.

We received 7 energy related complaints, mostly about the solar feed-in tariff benchmark. We explained why feed-in tariffs have dropped and provided information to help compare rates.

In transport, we received one complaint about ticket pricing. We provided information about the outcomes of our review on regional bus transport and suggested feedback is submitted to the local bus operator.

In the Energy Savings Scheme, we received one complaint about IPART's administration of the Scheme which was taken to the Energy Savings Scheme Committee for consideration.

Where a complaint was received about another organisation or services not provided by IPART we responded and referred them to the relevant organisation.

E.5 Overseas Visits

There were no overseas visits by an IPART employee in the reporting period 2021-22.

E.6 Asset Management Plan

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

E.7 Audit and Risk Committee

IPART's Audit and Risk Committee (ARC) provides independent advice to the Tribunal and CEO. The ARC oversees IPART's governance processes, internal audit, risk management and control framework, compliance management and its external accountability obligations.

The Committee Chair and Members are appointed by the CEO under the NSW Government's prequalification Scheme: Audit and Risk Committee Independent Chairs and Members. During the reporting period, the ARC consisted of three independent members: Elizabeth Crouch AM (Chair), Ken Barker and Rob Mason. In 2021-22, the Committee met five times on 19 July 2021, 21 October 2021, 20 December 2021, 21 March 2022 and 20 June 2022.

E.8 Internal Audit

IPART operates a co-source model to undertake internal audit activities. Centium were engaged as IPART's internal audit service provider, undertaking two audits during 2021-22, on the following topics:

- Combined Strategy and Organisational Planning, and Governance.
- Corruption and Integrity.

The Audit and Risk Committee considers the internal audit plan, internal audit scopes as well as the outcomes of each audit including management's responses to audit recommendations. The Executive Leadership Team and ARC receive regular updates on progress towards implementing the audit recommendations.

E.9 Risk Management

IPART continued to enhance its risk management program, reviewing our Risk Management Framework. The repositioned Risk Management Framework outlines the overall structure for IPART in our adoption of effective risk management practices. It outlines how we will meet the core requirements of NSW Treasury's Policy Paper *TPP20-08 Internal Audit and Risk Management for the General Government Sector* and *ISO 31000:2018 Risk Management Guidelines*.

E.10 Insurance

IPART's major insurance risks are administered by iCare Self-Insurance under the Treasury Managed Fund (TMF). TMF is a government-wide self-insurance scheme that provides worker's compensation, public liability, property and miscellaneous cover.

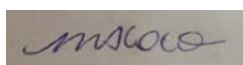
E.11 Internal Audit and Risk Management Attestation Statement for the 2021-22 Financial Year for IPART

I, Michelle Coco, Acting Chief Executive Officer, am of the opinion that IPART has internal audit and risk management processes in operation that are compliant with the seven (7) core requirements set out in the Internal Audit and Risk Management Policy for the General Government Sector, specifically:

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

For the 2021-22 Financial Year, the independent chair and members of the Audit and Risk Committee are:

- Independent Chair, Elizabeth Crouch AM (Appointment Term 1 December 2016 to 1 December 2023).
- Independent Member, Ken Barker (Appointment Term, 14 October 2014 to 8 October 2022).
- Independent Member, Rob Mason (Appointment Term, 2 May 2021 to 2 May 2024).



Michelle Coco
Acting Chief Executive Officer
18 October 2022

Agency Contact Officer: Ben Strate
General Counsel
Chief Audit Executive

E.12 Cyber Security Annual Attestation Statement for the 2021/22 Financial Year for IPART

I, Liz Livingstone, 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.
- IPART has assessed its cyber security maturity against mandatory requirements of the NSW Cyber Security Policy and Australian Cyber Security Centre (ACSC) Essential Eight and will report those results to Cyber NSW via the Department of Customer Service (DCS) cluster Chief Information Security Officer (CISO).
- Risks to the IPART's information and systems have been assessed and are being managed.
- Governance is in place to review and manage IPART's Cyber Security Plan and associated initiatives on a quarterly basis.
- IPART has an Incident Response Plan in place that ensures cyber security incidents, should they occur, are escalated to the IPART CISO, DCS cluster CISO, NSW Government CISO or Cyber Security NSW governance forums, as required.
- IPART has a formal approach to cyber security risk management and maturity assessment through ongoing review of its current Cyber Security Plan and Governance and has increased its maturity in the 2021/22 financial year.
- IPART's audit policy requires independent review of Cyber Security controls every other year. This year IPART self-assessed against the mandatory requirements of the NSW Cyber Security Policy including Essential Eight controls and will seek independent review in financial year 2022/23.



Liz Livingstone
Chief Executive Officer

Appendix F >>

Public access to our information



F

F.1 Overview

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.

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.

In the reporting period, IPART:

- received one request from a stakeholder for a large tranche of information about the energy savings scheme project, this was treated as an informal access information request and data was provided to meet the request
- received one valid formal access application, the outcome of which is yet to be determined
- carried forward one formal access application from the previous year with the outcome decided in this financial year.

F.2 Statistical information

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

F.2.1 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	0
Members of the public (other)	0	1	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.

F.2.2 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)	0	1	0	0	0	0	0	0
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.

F.2.3 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

F.2.4 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.2.5.

F.2.5 Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of times consideration used*
Responsible and effective government	1
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	1
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

F.2.6 Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	1
Decided after 35 days (by agreement with the applicant)	0
Not decided within time (deemed refusal)	0

F.2.7 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.

F.2.8 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

F.2.9 Applications transferred to other agencies

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

Appendix G >>

Financial management

G

G.1 Supplier Payment Performance

G.1.1 Aged analysis at the end of each quarter

Quarter	Current	Less than 30 days overdue	Between 30 and 60 days overdue	Between 61 and 90 days overdue	More than 90 days overdue	Total
All suppliers						
Sep-21	165	6	2	-	1	174
Dec-21	163	8	1	-	-	172
Mar-22	149	10	-	-	-	159
Jun-22	196	10	1	1	-	208
Small business supplier						
Sep-21	5	-	-	-	-	5
Dec-21	10	-	-	-	-	10
Mar-22	5	-	-	-	-	5
Jun-22	32	-	-	-	-	32

G.1.2 Accounts due or paid within each quarter

Measure	September 2021	December 2021	March 2022	June 2022
All suppliers				
Invoices due for payment (#)	174	172	159	208
Invoices paid on time (#)	165	163	149	196
Actual percentage of accounts paid on time (based on number of accounts)	95%	95%	94%	94%
Amount due for payment (\$)	\$4,196,804	\$3,339,607	\$4,538,418	\$3,468,008
Amount paid on time (\$)	\$4,005,915	\$3,222,278	\$4,492,667	\$3,297,214
Actual percentage of accounts paid on time (based on \$)	95%	96%	99%	95%
Number of payments for the interest on overdue account	0	0	0	0
Interest paid on late accounts (\$)	0	0	0	0
Small business suppliers				
Invoices due for payment received from small business	5	10	5	32
Invoices from small business paid on time	5	10	5	32
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Amount due for payment received from small business (\$)	\$21,105	\$279,831	\$65,350	\$232,382
Amount from small business paid on time (\$)	\$21,105	\$279,831	\$65,350	\$232,382
Actual percentage of accounts paid on time (based on \$)	100%	100%	100%	100%

Measure	September 2021	December 2021	March 2022	June 2022
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

Note: The report does not include payments made to employees, payments related to payroll and superannuation. Small business registration began in January 2012. A small business is defined as a NSW business with less than 20 employees that supply to participating NSW Government agencies (Small Business Commissioner [Faster payment terms](#)). IPART is excluded from the Faster Payment Policy and endeavours to pay all suppliers, including suppliers that identify themselves to us in writing as Small Business, within 30 calendar days. All numbers are reported based on receipt date of a correctly rendered invoice into the system.

G.2 Consultants

During 2021-22, IPART engaged the following consultants for a total expenditure of \$1,636,551 inclusive of GST (work on some of these consultancies was still progressing at 30 June 2022). 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*¹⁸.

G.2.1 Consultancies over \$50,000 including GST in 2021-22

Consultants	Services provided	Cost \$
Corporate Services		
Fyusion Asia Pacific Pty Ltd	Response to IPART 2021 PMES results	\$105,270
Fyusion Asia Pacific Pty Ltd	Website governance and publishing process	\$221,430
Subtotal		\$326,700
Finance and Accounting		
Aecom Australia Pty Ltd	Expenditure review for Broken Hill price review	\$122,862
Cardno (NSW/ACT) Pty Ltd	Benchmarking & costing for local infrastructure	\$169,224
Centre for International Economics	Demand and energy review Broken Hill price review	\$142,109
Frontier Economics	Central Coast Council Expenditure review	\$380,377
The Trustee for Mcleod Family Trust	Central Coast Council - Review of fixed asset register and asset lives	\$57,068
Axiom Economics Pty Ltd	Economic & regulation advice for rail access	\$66,000
Subtotal		\$937,640
Total		\$1,264,340

G.2.2 Consultancies up to \$50,000 including GST in 2021-22

Annual Report Category	Number of engagements	Cost (\$)
Corporate Services	2	\$49,033

¹⁸ 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.

Annual Report Category	Number of engagements	Cost (\$)
Engineering	0	
Environmental	1	\$29,031
Finance and Accounting	10	\$294,147
Information Technology	0	
Legal	0	
Organisation review	0	
Research	0	
Training	0	
Total	13	\$372,211

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 on the IPART website.

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 2022, the Statements of Financial Position as at 30 June 2022, the Statements of Changes in Equity and the Statements 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.

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 Regulation 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

19 October 2022
SYDNEY

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

**Financial Statements
for the year ended 30 June 2022**

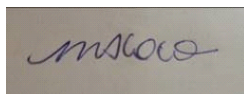
**Independent Pricing and Regulatory Tribunal and its Consolidated Entity
Statement by the Accountable Authority**

for the year ended 30 June 2022

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 2022 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.

X



Michelle Coco
Acting Chief Executive Officer
Signed by: Michelle Coco
18 October 2022

**Independent Pricing and Regulatory Tribunal
Statement of Comprehensive Income
for the year ended 30 June 2022**

	Notes	Consolidated		Tribunal		
		Budget 2022 \$'000	Actual 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
Continuing operations						
Expenses excluding losses						
Employee-related expenses	2(a)	23,555	21,871	22,467	-	-
Personnel services		-	-	-	22,154	21,978
Operating expenses	2(b)	7,159	9,679	8,539	9,679	8,539
Depreciation and amortisation	2(c)	404	434	418	434	418
Total expenses excluding losses		31,118	31,984	31,424	32,267	30,935
Revenue						
Appropriations	3(a)	32,365	28,884	27,819	28,884	27,819
Sale of goods and services	3(b)	1,375	2,292	1,562	2,292	1,562
Grants and other contributions	3(c)	(1,584)	1,398	1,375	1,398	1,375
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	419	(283)	489	-	-
Other income	3(e)	3,168	-	225	-	225
Total Revenue		35,744	32,291	31,470	32,574	30,981
Operating result		4,626	307	46	307	46
Gains / (losses) on disposal	4	-	-	(27)	-	(27)
Net result		4,626	307	19	307	19
Other comprehensive income		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME		4,626	307	19	307	19

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal
Statement of Financial Position
as at 30 June 2022

	Notes	Consolidated		Tribunal		
		Budget 2022 \$'000	Actual 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
ASSETS						
Current Assets						
Cash and cash equivalents	6	2,797	4,068	4,084	3,980	4,088
Receivables	7	875	1,182	1,075	1,144	1,069
Total Current Assets		3,672	5,250	5,159	5,124	5,157
Non Current Assets						
Plant and equipment	8	502	219	245	219	245
Intangible assets	9	5,654	541	801	541	801
Total Non Current Assets		6,156	760	1,046	760	1,046
Total Assets		9,828	6,010	6,205	5,884	6,203
LIABILITIES						
Current Liabilities						
Payables	10	1,063	1,827	2,403	1,701	2,401
Provisions	11	2,575	2,821	2,739	2,874	2,800
Total Current liabilities		3,638	4,648	5,142	4,575	5,201
Non Current Liabilities						
Provisions	11	54	53	61	-	-
Total Non Current Liabilities		54	53	61	-	-
Total Liabilities		3,692	4,701	5,203	4,575	5,201
Net Assets		6,136	1,309	1,002	1,309	1,002
EQUITY						
Accumulated funds	12	6,136	1,309	1,002	1,309	1,002
Total Equity		6,136	1,309	1,002	1,309	1,002

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 2022**

Consolidated / Tribunal	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2021	1,002	1,002
Net result for the year	307	307
Total other comprehensive income	-	-
Total comprehensive income for the year	307	307
Balance at 30 June 2022	1,309	1,309

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

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal
Statement of Cash Flows
for the year ended 30 June 2022

	Notes	Consolidated		Tribunal		
		Budget 2022 \$'000	Actual 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(23,136)	(22,294)	(21,897)	-	-
Personnel services		-	-	-	(22,294)	(21,897)
Finance costs		(5,110)	-	-	-	-
Other		(7,159)	(11,034)	(10,728)	(11,158)	(10,290)
Total Payments		(35,405)	(33,328)	(32,625)	(33,452)	(32,187)
Receipts						
Appropriations (excluding equity appropriations)		32,365	28,884	27,819	28,884	27,819
Sale of goods and services		1,375	3,299	2,532	3,331	2,538
Grants and other contributions		(1,584)	1,277	861	1,277	861
Other		3,168	-	225	-	225
Total Receipts		35,325	33,460	31,437	33,492	31,443
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	(80)	132	(1,188)	40	(744)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of plant and equipment		-	-	85	-	85
Purchases of plant and equipment		(180)	(148)	(75)	(148)	(75)
Purchases of intangible assets		-	-	(24)	-	(24)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(180)	(148)	(14)	(148)	(14)
CASH FLOWS FROM FINANCING ACTIVITIES						
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-	-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(260)	(16)	(1,202)	(108)	(758)
Opening cash and cash equivalents		3,057	4,084	5,286	4,088	4,846
CLOSING CASH AND CASH EQUIVALENTS	6	2,797	4,068	4,084	3,980	4,088

The accompanying notes form part of these financial 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 principal 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 2022 have been authorised for issue by the Acting Chief Executive Officer on 18 October 2022.

(b) Basis of preparation

The Tribunal's financial statements are general purpose financial statements which have been prepared on an accrual 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 2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year.

Several other amendments and interpretations apply for the first time in 2021-22, but do not have an impact on the financial statements of the Tribunal:

- *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- *AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- *AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*

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

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standard, unless Treasury determines otherwise. Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period.

The following new Australian Accounting Standards have been issued but are not yet effective:

- *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 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- *AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and other Australian Accounting Standards*

These Standards will not have a material impact on the financial statements based on its current operations.

(h) **Impact of COVID-19 on Financial Reporting for 2021-22**

There were no significant impacts of COVID-19 on the Tribunal's Financial Reporting for 2021-22.

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. Most staff have moved to working from home arrangements. WHS arrangements have been reviewed to ensure they are contemporary with the working arrangements, particularly the location of work to reduce any adverse impact on staff. The Tribunal continues to support the health and safety of its staff.

(i) **Superannuation on annual leave loading**

The Tribunal has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409*. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be reassessed in future reporting periods as new information comes to light on this matter.

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2022

2. Expenses Excluding Losses

(a) Employee related expenses

	Consolidated		Tribunal	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Salaries and wages (including annual leave)	19,678	19,288	-	-
Superannuation - defined benefit plans	-	7	-	-
Superannuation - defined contribution plans	1,441	1,179	-	-
Long service leave	(284)	489	-	-
Workers compensation insurance	89	102	-	-
Payroll tax and fringe benefit tax	994	965	-	-
Redundancy payments	-	415	-	-
On costs - annual leave and long service leave	(47)	22	-	-
	21,871	22,467	-	-

Employee related costs that have been capitalised and therefore excluded from the above - Nil (2021 Nil).

(b) Operating expenses include the following:

	Consolidated		Tribunal	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Advertising	20	18	20	18
Auditor's remuneration - audit of the financial statements	54	51	54	51
Board and Committee Fees	361	304	361	304
Corporate services fees	359	378	359	378
Consultants	1,480	994	1,480	994
Contractors	56	-	56	-
Information Technology	3,953	3,375	3,953	3,375
Information resources and media	74	183	74	183
Internal audit fees	48	46	48	46
Insurance	32	28	32	28
Legal Fees	292	281	292	281
Professional fees	1,332	1,661	1,332	1,661
Rental payments	1,035	661	1,035	661
Training (staff development)	378	418	378	418
Travel	8	-	8	-
Other operating expenses	197	139	197	139
Maintenance expenses	-	2	-	2
	9,679	8,539	9,679	8,539

Audit fee for 2020-21 financial statements was \$51K (2020-21 \$51K).

Reconciliation – Total Maintenance

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

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.

(c) Depreciation and amortisation expense

	Consolidated		Tribunal	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Depreciation				
Plant and Equipment	174	173	174	173
Leasehold Improvements	-	5	-	5
Total Depreciation	174	178	174	178
Amortisation				
Intangibles	260	240	260	240
Total Amortisation	260	240	260	240
Total Depreciation and Amortisation	434	418	434	418

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

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 at responsible Minister level

	Consolidated / Tribunal	
	2022	2021
	\$'000	\$'000
Amount appropriated per <i>Appropriation Act</i>	32,365	28,474
Variation made to the appropriation during the financial year:		
Changes in wages awards and conditions per Section 34 of <i>Appropriation Act</i>	227	-
Total spending authority from parliamentary appropriations, other than deemed appropriations	32,592	28,474
Add:		
Deemed appropriations earned during the year	1,581	2,130
Deemed appropriations balance brought forward from prior years	(970)	367
Total spending authority from parliamentary appropriations	33,203	30,971
Less: total expenditure from parliamentary appropriations	(32,004)	(31,941)
Variance	1,199	(970)
Less: Spending authority from appropriations lapsed at 30 June	(588)	-
Deemed appropriations balance carried forward to following years	611	(970)

The *Appropriation Act 2021* (Appropriations Act) appropriates the sum of \$32,592K to the Minister for Customer Service out of the Consolidated Fund for the services of the Tribunal for the year 2021-22.

The responsible Minister for the Tribunal is taken to have been given an appropriation out of the Consolidated Fund under the authority s4.7 of the GSF Act, at the time the Tribunal receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the Tribunal.

The spending authority of the Minister from the Appropriations Act and that of the responsible Minister for deemed appropriation money has been sub-delegated to officers of the Tribunal.

The summary of compliance has been prepared based on the spending authorities of the Minister for Customer Service, the responsible Minister for the services of the Tribunal. It reflects the status at the point in time this disclosure statement is being made.

Based on the assessment outcome from the summary of compliance table above, expenditure of \$970K in 2020-21 had been incurred without the corresponding spending authority (overspending). The Tribunal received \$1,573K in 2020-21 from service provision to other NSW government entities that does not give rise to deemed appropriations; meanwhile the payments for expenses incurred during the service provision constitute expenditure utilising the spending authority from appropriations.

The overspending is contrary to s4.6(1) of the GSF Act, which states "Money must not be paid out of the Consolidated Fund except under the authority of an Act". However, the budgetary control limit for the Tribunal's expenditure has been properly observed. NSW Treasury is aware of the cause of the overspending, and will propose legislative amendments to avoid overspending caused by similar circumstances. The Minister is responsible to Parliament for any overspends (that is, expenditure incurred without authorities) by the agencies they were responsible for.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2022**

3. Revenue (cont'd)

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

	Consolidated		Tribunal	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Rendering of services	2,292	1,562	2,292	1,562
	2,292	1,562	2,292	1,562

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.

(c) Grants and contributions

	Consolidated		Tribunal	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Grants	1,398	1,375	1,398	1,375
	1,398	1,375	1,398	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.

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2022

3. Revenue (cont'd)

(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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Superannuation – defined benefit	1	-	-	-
Long service leave provision	(284)	489	-	-
Payroll tax	-	-	-	-
	(283)	489	-	-

(e) Other income

	Consolidated		Tribunal	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Recoupment of salaries and on-costs from staff secondments	-	219	-	219
Other	-	6	-	6
	-	225	-	225

4. Gain / (losses) on Disposal

	Consolidated		Tribunal	
	2022	2021	2022	2021
	\$'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. State outcome group statements for the year ended 30 June 2022

The Tribunal operates under a single service group.

State Outcome Group Descriptions

State Outcome 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 2022

6. Current Assets - Cash and Cash Equivalents

	Consolidated		Tribunal	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	4,068	4,084	3,980	4,088
	4,068	4,084	3,980	4,088

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)	4,068	4,084	3,980	4,088
Closing cash and cash equivalents (per Statements of Cash Flows)	4,068	4,084	3,980	4,088

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

7. Current Assets - Receivables

	Consolidated		Tribunal	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Current				
Other receivables	816	933	778	927
Goods and Services Tax (GST)	366	142	366	142
	1,182	1,075	1,144	1,069

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.

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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 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
Transfer to intangible assets	(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
Year ended 30 June 2022			
Net carrying amount at beginning of year	245	-	245
Additions	148	-	148
Disposals	-	-	-
Depreciation expense	(174)	-	(174)
Net carrying amount at end of year	219	-	219
At 30 June 2022 fair value			
Gross carrying amount	1,057	-	1,057
Accumulated depreciation	(838)	-	(838)
Net carrying amount	219	-	219

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 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 (%)	
	2022	2021
Plant and equipment		
Office furniture and fittings	10	10
Computer equipment and hardware	25 - 33	25
General plant and equipment	20	14
Leasehold improvements	depreciated over the period of the lease	

The change in depreciation rates for 'Computer equipment and hardware' and General plant and equipment' categories during 2021-22 resulted in accelerated depreciation of \$2K annually for existing assets over their remaining useful lives.

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 (TPP21-09) and Treasurer's Direction, 'Valuation of Physical Non-Current Assets at Fair Value' (TD21-05). TPP21-09 and TD21-05 adopt 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 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
Year ended 30 June 2022			
Net carrying amount at beginning of year	801	-	801
Addition	-	-	-
Amortisation (recognised in 'depreciation and amortisation')	(260)	-	(260)
Net carrying amount at end of year	541	-	541
At 30 June 2022			
Cost (gross carrying amount)	1,075	-	1,075
Accumulated amortisation and impairment	(534)	-	(534)
Net carrying amount	541	-	541

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, the cost of the asset can be measured reliably and costs more than \$50,000. 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 is 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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on-costs	342	683	-	-
Creditors	1,485	1,720	1,359	1,718
Personnel services	-	-	342	683
	1,827	2,403	1,701	2,401

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.

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11. Current /Non-Current Liabilities - Provisions

	Consolidated		Tribunal	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Current				
Employee benefits and related on-costs				
Annual leave	2,034	1,871	-	-
Long service leave	348	404	-	-
Banked flex leave	153	169	-	-
Payroll tax	286	295	-	-
Personnel services	-	-	2,874	2,800
Total current provisions	2,821	2,739	2,874	2,800
Non-current				
Employee benefits and related on-costs				
Long service leave	53	61	-	-
Total Provisions	2,874	2,800	2,874	2,800
Aggregate employee benefits and related on-costs				
Provisions - current	2,821	2,739	-	-
Provisions - non-current	53	61	-	-
Accrued salaries, wages and on-costs (Note 10)	342	683	-	-
	3,216	3,483	-	-

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Employee benefits expected to be settled within 12 months from the reporting date				
Annual leave	1,627	1,497	-	-
Employee benefits expected to be settled in more than 12 months from the reporting date				
Annual leave	407	374	-	-

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 2021).

15. Budget Review

The budgeted amounts for Consolidated entity 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 \$307,000 and lower than the budget by \$4,319,000.

Total expenses including losses were higher than budget by \$866,000. The increase in expenses was mainly due to increase in work undertaken on behalf of other NSW government agencies.

Total revenue was lower than budget by \$3,453,000. This was due to the appropriations drawn down from Treasury being lower than what was budgeted, resulting from delays in implementing Treasury funded projects.

Assets and liabilities

Total assets were \$6,010,000 and were lower than budget by \$3,818,000. This is mainly due to reclassification of capital expenditure funding \$5,110,000 carried forward to financial year 2023 offset by \$1,271,000 increase in cash and cash equivalents and \$307,000 increase in receivables. Increase in receivables included amounts owing from NSW government agencies on account of work commissioned.

Total liabilities were \$4,701,000 and were higher than budget by \$1,009,000 due to increase in payables and provisions.

Cash flows

Net cash flows from operating activities were \$132,000 and were higher than budget by \$212,000 mainly due to a \$2,077,000 decrease in payments, offset by \$1,865,000 decrease in receipts.

Net cash flow from investing activities were \$148,000 outgoing and were lower than budget by \$32,000 due to capital budget not fully used.

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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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Net cash used on operating activities	132	(1,188)	40	(744)
Depreciation and amortisation expense	(434)	(418)	(434)	(418)
Decrease / (increase) in provisions	(74)	(29)	(74)	(29)
Increase / (decrease) in receivables and prepayments	107	453	75	447
Decrease / (increase) in creditors	576	1,228	700	790
Net gain / (loss) on sale of plant and equipment	-	(27)	-	(27)
Net result	307	19	307	19

17. Administered Assets and Liabilities

Consolidated / Tribunal	2022	2021
	\$'000	\$'000
Administered Assets		
Cash	1,189	1,019
Receivables	608	540
Total Administered Assets	1,797	1,559
Administered Liabilities		
Energy and Water Licence fees payable to Crown Entity	1,797	1,559
Total Administered Liabilities	1,797	1,559

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 \$6,760K (2021 \$7,779K).

Independent Pricing and Regulatory Tribunal
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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			Carrying Amount	
Class	Notes	Category	2022	2021
			\$'000	\$'000
Financial Assets				
Cash and cash equivalents	6	Amortised cost	4,068	4,084
Receivables ¹	7	Amortised cost	816	933
Financial Liabilities				
Payables ²	10	Financial liabilities measured at amortised cost	1,827	2,403

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			Carrying Amount	
Class	Notes	Category	2022	2021
			\$'000	\$'000
Financial Assets				
Cash and cash equivalents	6	Amortised cost	3,980	4,088
Receivables ¹	7	Loans and receivables (at amortised cost)	778	927
Financial Liabilities				
Payables ²	10	Financial liabilities measured at amortised cost	1,701	2,401

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 2022 and 30 June 2021 was nil.

	30 June 2022					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	-	-	-	-	-	-

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18. Financial Instruments (cont'd)

	30 June 2021					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 2022 and 2021. 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 TC11/12*. 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 (2021 – 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
2022					
Payables²					
Accrued salaries, wages and on-costs	342	342	342	-	-
Creditors	1,485	1,485	1,485	-	-
	1,827	1,827	1,827	-	-
2021					
Payables²					
Accrued salaries, wages and on-costs	683	683	683	-	-
Creditors	1,720	1,720	1,720	-	-
	2,403	2,403	2,403	-	-

Tribunal	Interest Rate Exposure		Maturity Dates		
	Nominal Amount ¹ \$'000	Non-interest bearing \$'000	< 1 yr \$'000	1-5 yrs \$'000	> 5 yrs \$'000
2022					
Payables²					
Personnel services and on-costs	342	342	342	-	-
Creditors	1,359	1,359	1,359	-	-
	1,701	1,701	1,701	-	-
2021					
Payables²					
Personnel services and on-costs	683	683	683	-	-
Creditors	1,718	1,718	1,718	-	-
	2,401	2,401	2,401	-	-

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 2021. 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	2022		2021	
	\$'000		\$'000	
	-1%	1%	-1%	1%
Net Result	(41)	41	(41)	41
Equity	(41)	41	(41)	41

Tribunal	2022		2021	
	\$'000		\$'000	
	-1%	1%	-1%	1%
Net Result	(40)	40	(41)	41
Equity	(40)	40	(41)	41

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	2022 \$'000	2021 \$'000
Salaries	<u>735</u>	768
Total remuneration	<u>735</u>	<u>768</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 2022 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 and corporate services fees.
- Grant funding from the Department of Planning and Environment (refer Note 3(c) 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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ISBN 978-1-76049-603-6