



**CORPORATE
PLAN
1996 - 1998**



Independent **P**ricing **A**nd **R**egulatory **T**ribunal
of New South Wales



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1996 - 1998**

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FOREWORD

Following amendments to the Government Pricing Tribunal Act in January 1996, the Tribunal has now an expanded role and was renamed the Independent Pricing and Regulatory Tribunal - IPART.

The legislative change begins a new era for us. In recognition of the challenges of greater responsibilities, the corporate plan of its predecessor, the Government Pricing Tribunal of NSW, has been critically reviewed.

This is the first corporate plan of IPART. The new plan is based on an assessment of all the factors likely to influence existing and future operations. It provides a framework to help the Tribunal to:

- ◇ meet the requirements of its Act
- ◇ effectively communicate plans and activities to our stakeholders and staff members
- ◇ deal efficiently with emerging issues and a changing operating environment.

This plan has been developed in consultation with all staff members. It identifies strategic issues and sets out future directions in 1996/97 and 1997/98. Our work programs and activities of each staff member are aligned with the corporate plan.

IPART is committed to “regulation for results”. We look forward to being able to report to the community that our actions have resulted in a more efficient, competitive and ecologically sustainable environment.

Thomas G Parry
Chairman

MISSION

To provide an acceptable balance between competing claims within the NSW community and to promote an increasingly competitive environment through price regulation, industry reviews and ensuring access to infrastructure facilities.

In fulfilling its mission, the Tribunal carries out a wide range of functions which are conferred upon it by the Independent Pricing and Regulatory Tribunal Act 1992 and other Acts such as the Gas Supply Act 1996 and the Transport Administration Act 1996. The main functions are:

- ◇ to set prices for "regulated" monopoly services
- ◇ to undertake pricing and industry reviews
- ◇ to facilitate the implementation of an access regime and, where required, to act as an arbitrator
- ◇ to provide similar services to assist other jurisdictions by agreement.

VISION

To be highly respected by our key stakeholders for our independence, professionalism and competence.

While price regulation remains our core responsibility, we now have additional roles including industry reviews and facilitating access to certain infrastructure. The Tribunal has also been asked to provide assistance to jurisdictions outside NSW.

We are committed to deliver balanced decisions to encourage a more efficient, competitive and responsive economy. The Tribunal must be responsive to the needs of the community and adapt to a continuously changing environment. Our success will be judged by the community and the stakeholders in terms of our independence, professionalism and competence.

OPERATING ENVIRONMENT

The Tribunal performs its functions in an environment of change, conflicting demands and growing expectations of our stakeholders.

The Tribunal's approach to price regulation should encourage "regulated" monopolies to implement price reforms and to conduct their businesses in the most cost efficient manner. This is to be achieved with due recognition of the social impacts of the Tribunal's pricing decisions.

There is continued emphasis on promoting competition. The National Competition Policy and the Competition Principles Agreement by the Council of Australian Governments (COAG) are key elements of the new environment.

The Tribunal will play a role in the implementation of an access regime which allows third party access to significant infrastructure facilities.

The community is becoming increasingly aware of customer protection, environment protection and the importance of promoting ecologically sustainable development. These factors must be carefully considered in the Tribunal's investigations and determinations.

Social, economic, financial and environmental considerations play an important part in our regulatory functions. The challenge for the Tribunal is to reconcile these demands for the sustainable benefit of the community.

Information technology improvements will continue to drive change in work practices and communications.

Internally, our Enterprise Agreement provides staff with the opportunity to balance their work and family commitments through more flexible working arrangements.

CORPORATE OBJECTIVES

There are three primary corporate objectives relating to IPART's functions. They are:

- ◇ **To achieve the best feasible pricing outcomes that balance the competing claims within the community**
- ◇ **To provide high quality advice to government on industry issues**
- ◇ **To facilitate access to infrastructure services that are provided by public utilities.**

Two supporting corporate objectives are:

- ◇ **To consult widely with our stakeholders**
- ◇ **To achieve excellence in both organisation and staff performance.**

CORPORATE VALUES

We are guided by the following values in working towards our objectives:

- ◇ **Independence**
- ◇ **Fairness**
- ◇ **Consistency**
- ◇ **Excellence**
- ◇ **Continuous improvement**
- ◇ **Teamwork**
- ◇ **Responsiveness**

These values are regarded as the fundamental part of our operating philosophy. They serve as guiding principles for all our operations within IPART and interaction with our stakeholders and other parties.

STAKEHOLDERS

IPART stakeholders are people and organisations who have an interest in the way we operate. The needs and expectations of our key stakeholders are critical factors that must be considered. While IPART stakeholders and their expectations are many and varied, key stakeholder expectations are outlined below.

Stakeholders	Expectations
Government	<ul style="list-style-type: none"> * balanced regulation * timely completion of investigations and industry reviews
The Treasurer <i>(on behalf of NSW community)</i>	<ul style="list-style-type: none"> * commercial return from GTEs * improved resource allocation and economic efficiency
"Regulated" enterprises	<ul style="list-style-type: none"> * consistency and transparency of price regulation * timely price determinations
Customers of "regulated" enterprises	<ul style="list-style-type: none"> * efficient cost of services * "fair" prices * high standards and quality of services * customer protection
Community Interest groups <i>(including industry, environmental and welfare groups)</i>	<ul style="list-style-type: none"> * consultation and liaison * access to public information * safety net arrangements * decisions that support ecologically sustainable development
Third parties <i>(those seeking access to infrastructure facilities)</i>	<ul style="list-style-type: none"> * fair terms and conditions for access * timely and fair decisions in the arbitration of disputes
Other jurisdictions	<ul style="list-style-type: none"> * a more competitive environment
Our staff	<ul style="list-style-type: none"> * job satisfaction * good working conditions * recognition * training and career development

STRATEGIC DIRECTION

In pursuing our corporate objectives, IPART continually examines its strategies in terms of stakeholders' expectations and requirements of reforms.

In making its determinations and recommendations, there are a number of factors that must be considered carefully by the Tribunal:

- ◇ Consumer protection
 - ⇒ prices, pricing policies and standards of service
 - ⇒ general price inflation
 - ⇒ social impact of decisions
- ◇ Economic efficiency
 - ⇒ greater efficiency in the supply of services
 - ⇒ effect of exercise of functions by some other body
 - ⇒ the need to promote competition
- ◇ Financial stability
 - ⇒ rate of return on assets
 - ⇒ impact of borrowing, capital and dividend requirements
- ◇ Environmental and other standards
 - ⇒ protection of environment by appropriate pricing policies
 - ⇒ considerations of demand management
 - ⇒ standards of quality and reliability and safety.

Our role in the implementation of access regimes is to establish guidelines for handling access disputes and to develop administrative systems. The Tribunal must arbitrate or arrange for the arbitration of disputes that are referred to it. The Tribunal must have a good understanding of the national competition policy and the access regimes that have been developed to implement that policy.

The following section outlines the Tribunal's corporate focus, key strategies and planned outcomes.

Major programs and initiatives to be undertaken in respect of each objective, and key corporate performance indicators are also provided.

Objective

To achieve the best feasible pricing outcomes that balance the competing claims within the community

We strive for the best outcomes that balance the competing claims within the community by adopting an independent, equitable and consistent approach to price regulation.

Corporate focus	Strategies	Planned outcomes
Price determinations	<ul style="list-style-type: none"> ◇ Make balanced determination of prices ◇ Evaluate the progress of pricing reforms ◇ Ensure compliance and performance monitoring ◇ Encourage greater accountability of regulated enterprises ◇ Cease to regulate newly competitive industries 	<ul style="list-style-type: none"> ◇ Price regulation to ensure balanced pricing determinations ◇ Substantial reduction in existing cross-subsidies among customer classes ◇ Continued improvement in productivity of regulated agencies ◇ Improved quality of information submitted by regulated enterprises ◇ Proper ring-fencing of regulated enterprises ◇ Industries or parts of industries opened up to competition
Review of pricing policies	<ul style="list-style-type: none"> ◇ Develop pricing principles that achieve improved resource allocation and other objectives (equity, efficiency, financial and environmental) ◇ Undertake research quantifying financial, economic, environmental and distributional impacts 	<ul style="list-style-type: none"> ◇ Recommendation of sound principles of pricing policies ◇ Terms of reference fully met

Key programs

Transport

- ◇ Major inquiry into pricing of public passenger transport services (1995-96)
- ◇ Annual price determinations for public passenger transport services
- ◇ Release results of study to estimate fare elasticity of public transport usage

Water

- ◇ Medium term price determinations for metropolitan water suppliers including Sydney Water, Hunter Water, Gosford City Council and Wyong Shire Council (1996)
- ◇ Review of implementation of the developer charges guidelines (ongoing)
- ◇ Inquiry into pricing principles of local water authorities (1996)
- ◇ Inquiry into pricing of bulk water prices (1996-97)
- ◇ Price determinations for bulk water services (1996, 1997)
- ◇ Investigation into pricing for sewerage backlog projects (1997)
- ◇ Mid-term review for Sydney Water and Hunter Water (1998)
- ◇ Public Works water supply schemes including South-west Tablelands Water Supply and the Fish River Water Supply (Under consideration)
- ◇ Plan next round of major reviews

Electricity

- ◇ Inquiry into pricing for capital contributions and recoverable works (1996-97)
- ◇ Release discussion paper on negotiation and embedded generation (1996-97)
- ◇ Final report on the inquiry into electricity prices (March 1997)
- ◇ IPART's responsibilities with respect to the implementation of national and state electricity market reforms
- ◇ Plan next round of major reviews

Gas

- ◇ Price regulation for the supply of natural gas to tariff customers
- ◇ Plan next reviews

Other

- ◇ Review of pricing policies of the waste recycling and processing service in NSW (completed in April 1996)
- ◇ Government monopolies services that may be referred to the Tribunal

Special projects

- ◇ Investigate ring-fencing of regulated businesses and other activities of the enterprises
- ◇ Review information requirements for price regulation
- ◇ Develop and issue guidelines for customer contracts in the energy market
- ◇ Review options for dealing with customer complaints
- ◇ Ensure compliance with determinations

Objective

To provide high quality advice to government on industry issues

We are committed to ensuring that our investigations and industry reviews are of a high quality.

Corporate focus	Strategies	Planned Outcomes
Conduct of investigations	<ul style="list-style-type: none">◇ Provide ample opportunities for public input◇ Public hearings and submissions◇ Public seminars where appropriate	<ul style="list-style-type: none">◇ Recommendations after wide consultation
Reports	<ul style="list-style-type: none">◇ Public submission on draft report◇ Peer review	<ul style="list-style-type: none">◇ Reports completed within required timeframe◇ Terms of reference fully met
Research	<ul style="list-style-type: none">◇ Commission various research quantifying financial, economic, environmental and distributional impacts	<ul style="list-style-type: none">◇ Reports are well supported by research results

Key programs

- ◇ Review of regulation and licensing of air services operators in NSW (1996-97)
- ◇ Inquiry into Countrylink (1996-97).
- ◇ Review of the application of performance benchmarking within local government in NSW (1997)
- ◇ Other industry reviews as requested by Ministers from time to time

Objective

To facilitate access to infrastructure services that are provided by public utilities

We facilitate the implementation of third party access to public infrastructure services which conforms to the Competition Principles Agreement.

Corporate focus	Strategies	Planned outcomes
Third party access	<ul style="list-style-type: none">◇ Apply national competition principles◇ Establish pricing protocol◇ Provide advice on access regulatory proposals	<ul style="list-style-type: none">◇ Achievement of IPART's responsibilities with respect to the State's obligations under the National Competition Principles Agreement◇ Increased and effective competition
Arbitration of disputes	<ul style="list-style-type: none">◇ Develop arbitration protocol◇ Maintain independence	<ul style="list-style-type: none">◇ Decisions to take account of all relevant matters and submissions
Administrative framework	<ul style="list-style-type: none">◇ Ensure procedural fairness◇ Develop a register of access agreements	<ul style="list-style-type: none">◇ Administration mechanism put in place by end of 1996◇ Public access to agreement and information

Key programs

Policy and administration

- ◇ Develop regulations under the IPART Act to deal with the conduct of arbitration
- ◇ Establish an Arbitration Registry to provide administrative support to the Tribunal in the arbitration of access disputes
- ◇ Establish arbitration practice notes (1996)
- ◇ Establish public registers of access agreements
- ◇ Provide advice on related party contracts in gas and electricity
- ◇ Establish panel of arbitrators

Gas access

- ◇ Review and approval of access undertakings including reference tariffs for declared gas distribution networks

Rail access

- ◇ Arbitration of disputes for access pricing under Rail Access Regime

Objective

To consult widely with our stakeholders

We are committed to consult widely with our stakeholders to ensure that our determinations and recommendations reflect the needs of community and economic reforms.

Corporate focus	Strategies	Planned outcomes
Communication and liaison	<ul style="list-style-type: none">◇ Encourage participation of representative bodies in the inquiry process◇ Regular liaison with stakeholders◇ Ensure public access to information◇ Enhance public understanding of the Tribunal's operations	<ul style="list-style-type: none">◇ Organise seminars and workshops◇ Key stakeholders appropriately briefed on progress of reviews◇ Improved understanding of IPART's operation and basis of decisions
Feedback	<ul style="list-style-type: none">◇ Regular review of stakeholder expectations◇ Undertake survey of key stakeholders	<ul style="list-style-type: none">◇ Survey results published in 1997/98

Key programs

- ◇ Establish a mechanism to research, collect and analyse feedback from key stakeholders (including community and agencies)
- ◇ Establish web site and develop internet communication
- ◇ Establish industry working groups in key program areas

Objective

To achieve excellence in both organisation and staff performance

We maximise effectiveness of our resources through the implementation of best practice management systems, staff training and development.

Corporate focus	Strategies	Planned outcomes
Resource planning	<ul style="list-style-type: none">◇ Develop work program◇ Monitor and evaluate resource and technology requirements	<ul style="list-style-type: none">◇ Monthly program review
Productivity	<ul style="list-style-type: none">◇ Operating within resources available◇ Adopt best-practice information systems to improve work efficiency	<ul style="list-style-type: none">◇ Self managed program teams
Staff Development	<ul style="list-style-type: none">◇ Ongoing review of performance enhancement system◇ Provide training and development programs to meet identified needs	<ul style="list-style-type: none">◇ A well-motivated work force◇ Increased skill levels
Workplace	<ul style="list-style-type: none">◇ Negotiate and implement new enterprise agreement◇ Promote equal employment opportunities◇ Provide a safe work environment	<ul style="list-style-type: none">◇ A better place to work◇ Job satisfaction

Key programs

- ◇ Review and improve business systems and processes including technology systems
- ◇ Develop and implement cost centre accounting system
- ◇ Develop and implement budget review system
- ◇ Implement new Enterprise Agreement
- ◇ Introduce job rotation and mentoring programs

PERFORMANCE INDICATORS

Within IPART, the performance indicators applying to each program area are reflected in the performance agreements of senior executives and program managers. Responsibility for specific tasks is identified in the Work Plan in each program area. Status reports are prepared to monitor the progress of program activities.

Corporate performance indicators are being developed to measure, over time, the degree to which the Tribunal is meeting its corporate objectives. The key performance area is the impact of the Tribunal's determinations and recommendations. The success will be judged on its ability to strike a balance between conflicting demands of stakeholders.

The extent to which corporate objective are achieved will be measured by:

- ◇ Reduction in cross-subsidies in existing pricing structure
- ◇ Timely implementation of third party access to public infrastructure services that conforms to the Competition Principles Agreement
- ◇ Percentage of staff receiving appropriate training in skill areas relevant to IPART's operations.

Stakeholders' views are IPART is another way of measuring its performance. Such assessment will be made via stakeholders questionnaire and staff surveys.

ORGANISATION AND MANAGEMENT

In early 1996, the organisational structure was redefined to reflect the expanded functions of the Tribunal. The organisation chart as at December 1996 is as follows:

