



INDEPENDENT
PRICING AND
REGULATORY
TRIBUNAL

OF NEW SOUTH WALES

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i n d e p e n d e n c e

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t e a m w o r k

c o n t i n u o u s

ANNUAL
REPORT

1996/97

r e s p o n s i v e n e s s

i m p r o v e m e n t





INDEPENDENT
PRICING AND
REGULATORY
TRIBUNAL

OF NEW SOUTH WALES

milestones

- JULY 1992 GOVERNMENT PRICING TRIBUNAL COMMENCES
- MAY/JUNE 1993 FIRST ANNUAL PRICE DETERMINATIONS FOR URBAN WATER,
ELECTRICITY AND PUBLIC TRANSPORT
- OCTOBER 1993 WATER PRICING REVIEW - FINAL REPORT
- OCTOBER 1994 ELECTRICITY PRICING REVIEW - INTERIM REPORT
- SEPTEMBER 1995 TRIBUNAL PROVIDES SUPPORT TO GAS COUNCIL
- JANUARY 1996 INDEPENDENT PRICING AND REGULATORY TRIBUNAL ACT 1992 -
EXTENDED ROLE AND NEW NAME FOR TRIBUNAL
- MARCH 1996 ELECTRICITY - FIRST MEDIUM TERM PRICE PATH
- DEC 1995/JUNE 1996 METHODOLOGIES FOR PRICING DEVELOPER CHARGES FOR
URBAN WATER SERVICES
- JUNE 1996 URBAN WATER AGENCIES - MEDIUM TERM PRICE PATHS
- JULY 1996 GAS SUPPLY ACT 1996 - GAS COUNCIL ABOLISHED AND IPART
ASSUMES RESPONSIBILITY FOR GAS PRICING AND ACCESS REGULATION
- OCTOBER 1996 TRANSPORT PRICING REVIEW - FINAL REPORT
- MARCH 1997 FIRST ARBITRATION OF ACCESS DISPUTE
- JULY 1997 APPROVAL OF FIRST THIRD-PARTY ACCESS UNDERTAKING
(AGL'S GAS DISTRIBUTION NETWORK)

INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES (IPART)

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what we do

The main role of the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) is to:-

SET MAXIMUM PRICES AND REVIEW PRICING OF NSW GOVERNMENT MONOPOLY SERVICES - ESPECIALLY ELECTRICITY, WATER AND PUBLIC TRANSPORT.

REGULATE NATURAL GAS PRICING AND THIRD PARTY ACCESS TO GAS DISTRIBUTION NETWORKS.

UNDERTAKE GENERAL REVIEWS OF INDUSTRY, PRICING OR COMPETITION.

REGISTER AGREEMENTS FOR ACCESS TO PUBLIC INFRASTRUCTURE ASSETS AND ARBITRATE DISPUTES ABOUT SUCH AGREEMENTS.

achievements in 1996/97

- ◆ APPROVAL OF ARRANGEMENTS FOR THIRD PARTIES TO ACCESS AGL'S GAS DISTRIBUTION NETWORK.
 - ◆ MAJOR RECOMMENDATIONS ON THE STRUCTURE OF BULK WATER PRICING.
 - ◆ PROPOSALS FOR THE DEREGULATION OF INTRASTATE AIR SERVICES.
- ◆ COMPLETION OF A MAJOR REVIEW OF PUBLIC TRANSPORT FARES.
 - ◆ COMMENCEMENT OF REVIEW OF BENCHMARKING OF LOCAL GOVERNMENT PERFORMANCE.
 - ◆ RELEASE OF PRICING PRINCIPLES FOR LOCAL WATER AUTHORITIES.
- ◆ SUCCESSFUL COMPLETION OF THE ARBITRATION OF A DISPUTE ABOUT AN ACCESS AGREEMENT.
 - ◆ ASSISTANCE PROVIDED TO SOUTH AUSTRALIA AND THE AUSTRALIAN CAPITAL TERRITORY FOR PRICE REGULATION.
 - ◆ COMPREHENSIVE INFORMATION ABOUT IPART ACTIVITIES AND REPORTS ARE NOW AVAILABLE ON THE INTERNET.

L E T T E R T O T H E P R E M I E R

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL**
OF NEW SOUTH WALES

28 October 1997

The Hon Bob Carr MP
Premier of NSW
Governor Macquarie Tower,
1 Farrer Place
SYDNEY NSW 2000

Dear Premier,

Independent Pricing and Regulatory Tribunal - Annual Report 1996/97

As required by the Annual Reports (Statutory Bodies Act 1984), we have pleasure in submitting the annual report of the Independent Pricing and Regulatory Tribunal for the year ended 30 June 1997.

Yours sincerely,

Thomas G Parry
Chairman

James Cox
Member

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Our Corporate Plan

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.

Our Vision

TO BE HIGHLY RESPECTED BY OUR KEY STAKEHOLDERS FOR OUR INDEPENDENCE, PROFESSIONALISM AND COMPETENCE

Our Corporate Objectives

OUR PRIMARY OBJECTIVES ARE TO:

- ❖ ACHIEVE THE BEST FEASIBLE PRICING OUTCOMES THAT BALANCE THE COMPETING CLAIMS WITHIN THE COMMUNITY
- ❖ PROVIDE HIGH QUALITY ADVICE TO GOVERNMENT ON INDUSTRY ISSUES
- ❖ ACHIEVE EFFECTIVE ACCESS TO KEY PUBLIC UTILITY INFRASTRUCTURE SERVICES.

OUR SUPPORTING OBJECTIVES ARE TO:

- ❖ CONSULT WIDELY WITH OUR STAKEHOLDERS
- ❖ ACHIEVE EXCELLENCE IN BOTH ORGANISATION AND STAFF PERFORMANCE.

Our Corporate Values

- ❖ INDEPENDENCE
- ❖ CONSISTENCY
- ❖ TEAMWORK
- ❖ CONTINUOUS IMPROVEMENT
- ❖ FAIRNESS
- ❖ EXCELLENCE
- ❖ RESPONSIVENESS



Achievement

O F O U R C O R P O R A T E O B J E C T I V E S

During 1996/97, the Tribunal achievements in meeting its objectives could be summarised as:

Primary Objectives

Made the following pricing determinations which balanced competing claims within the community:

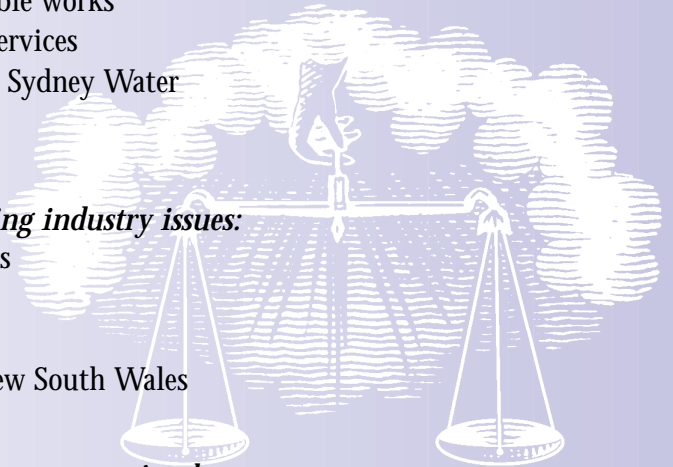
- ❖ Electricity capital contributions and recoverable works
- ❖ Public transport fares for CityRail and STA services
- ❖ Prices for miscellaneous customer services for Sydney Water
- ❖ Electricity prices, July 1997
- ❖ Bulk water prices, 1997/98.

Provided advice to the Government on the following industry issues:

- ❖ Pricing principles for Local Water Authorities
- ❖ Bulk water prices
- ❖ Pricing of public passenger transport services
- ❖ Regulation and licensing of air services in New South Wales
- ❖ Pricing principles for Countrylink.

Achieved effective access to public utility infrastructure services by:

- ❖ Completion of a determination on conditions of access by third parties to AGL's gas distribution networks
- ❖ Publication of practice notes for use in arbitrations undertaken by the Tribunal
- ❖ Successful resolution of an access agreement dispute between the National Rail Corporation and the Rail Access Corporation of NSW
- ❖ Establishment of a register of access agreements.



Supporting Objectives

Consulted widely with our stakeholders by:

- ❖ Preparing discussion papers on benchmarking local government performance in NSW; backlog sewerage pricing and negotiation and embedded generation in electricity
- ❖ Releasing information papers on a survey of water, electricity, gas and public transport usage in Sydney, public transport fare elasticities in Sydney region, and an information paper on electricity prices
- ❖ Requesting submissions for each inquiry
- ❖ Holding extensive public hearings, including in rural NSW
- ❖ Establishing formal consultations with stakeholders in electricity and for developer charges in water
- ❖ Consulting widely with interested parties as part of the Tribunal's inquiries
- ❖ Publishing reports which give reasons for decisions
- ❖ Making information about the Tribunal readily available, including through the Internet.

Achieved excellence in both organisation and staff performance by:

- ❖ Encouraging an open work environment in which excellent performance by all staff members is recognised and rewarded
- ❖ Implementing a staff development system which emphasises the identification of opportunities for staff to develop new skills
- ❖ Negotiating and implementing an enterprise agreement.

C H A I R M A N ' S R E P O R T

IT HAS BEEN FIVE YEARS SINCE THIS ORGANISATION WAS ESTABLISHED with the very clear objective of regulating the prices of the State's government-owned commercial monopoly utilities. Initially, we were called the Provisional Prices Tribunal, and from mid 1992, the Government Pricing Tribunal. Since 1996, we have been known as the Independent Pricing and Regulatory Tribunal of NSW (IPART).

In the early years, our function was to set maximum prices for electricity, water and public passenger transport. The focus of our work, indeed our motto, was efficient costs and efficient prices. Our attention was directed chiefly at two areas: unwinding the substantial cross subsidisation of household electricity and water consumption by the business sector, and balancing the relative contributions made by taxpayers and passengers to the provision of public transport.

monopoly wires and pipes as well as the revenues that flow to this monopoly infrastructure. For rail, we serve as the arbitrator of access disputes involving rail infrastructure.

We are being called on more and more frequently to undertake industry reviews, either as public inquiries under Section 12 of the IPART Act, or by way of assistance to various government agencies (including other states) under Section 9 of the IPART Act. This recent change in focus raises several important issues.

Firstly, regulating access to monopoly infrastructure involves both the public and the private sectors. Whereas the State's electricity businesses are currently publicly owned, gas is almost entirely privately owned. As an independent regulator, we are required to determine appropriate

“WE STILL REGULATE THE MAXIMUM PRICES FOR A NUMBER OF THE MONOPOLY SERVICES OF GOVERNMENT-OWNED COMMERCIAL BUSINESSES.”...“AT THE SAME TIME, WE ARE BECOMING INCREASINGLY INVOLVED IN REGULATING THIRD PARTY ACCESS TO THE MONOPOLY INFRASTRUCTURE OF THE STATE’S KEY UTILITIES.”

Our most recent name change reflects a broadening of our focus. We still regulate the maximum prices for a number of the monopoly services of government-owned commercial businesses. Indeed, this work has expanded with the inclusion of the Department of Land and Water Conservation's bulk water business. At the same time, we are becoming increasingly involved in regulating third party access to the monopoly infrastructure of the State's key utilities.

Thus, in respect of electricity and gas services, we are responsible for regulating the terms and conditions of access to the

revenue requirements and terms and conditions for access to both private and government-owned infrastructure.

Secondly, it is generally assumed that eventually regulation will be required only in respect of the monopoly infrastructure, and not the competitive segments of the market. For example, as “contestability” emerges in the retail level of the energy market, there is a belief that consumers will enjoy effective competition without further need for regulation. However, there is good reason to believe that, at least in the early years of competition, many consumers may not have sufficient real choices,

C H A I R M A N ' S R E P O R T

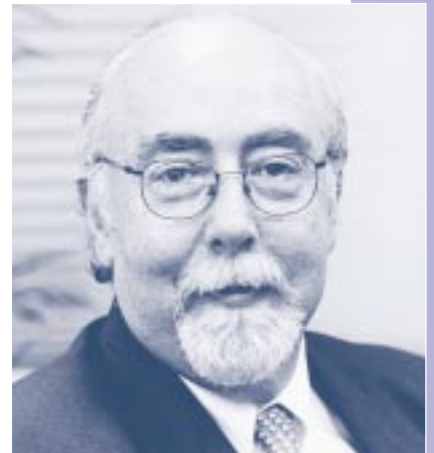
and some retailers may take advantage of the de facto market power they are likely to wield.

There is no doubt that opening up retail competition in the utilities, such as energy, will increase opportunities for lower prices and better products and services. However, in the early years there will be a need for on-going regulatory surveillance of these newly competitive areas. In particular, arrangements will have to be made for clearly specified service standards, retailer-of-last-resort provisions, and safety net services and tariffs, especially for less well informed consumers.

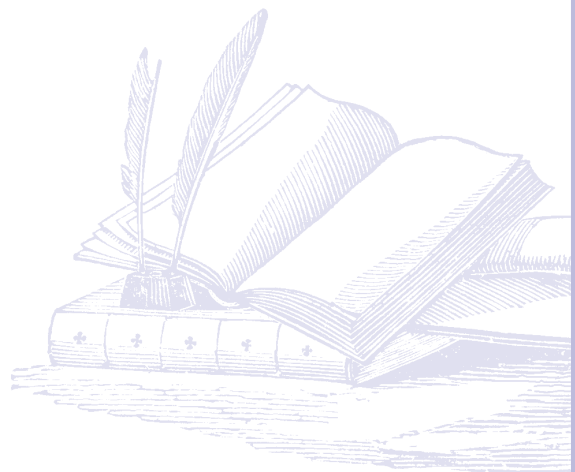
“...OPENING UP RETAIL COMPETITION IN THE UTILITIES, SUCH AS ENERGY, WILL INCREASE OPPORTUNITIES FOR LOWER PRICES AND BETTER PRODUCTS AND SERVICES.”

Finally, IPART has attempted to develop an approach and a regulatory model that recognise the real costs which regulation imposes on firms and, ultimately, on the community. To date, I believe the benefits of regulation far outweigh the costs. Increasingly, however, we will be under pressure from those we regulate to be less intrusive and more “light-handed”. At the same time, many stakeholders will require far greater transparency and assurances that the outcomes of regulation are “reasonable” and “balanced”.

One of the greatest challenges facing IPART's Tribunal and its Secretariat will be to continue to develop a regulatory approach which ensures that good regulation is done and is seen to be done.



THOMAS G PARRY
Chairman



The Tribunal

The Tribunal consists of three permanent members plus temporary members who are appointed by the Premier. Ms Joan McClintock was a permanent part-time member of the Tribunal up to her death in September 1996 (as reported in last year's report).

Permanent Members



C H A I R M A N

PROFESSOR THOMAS PARRY, *BEC (Hons), MEd., PhD.*

Appointed for 5 years from 7 June 1995. Adjunct Professor of Economics, University of NSW. Former Dean of Commerce, University of Wollongong.



F U L L - T I M E M E M B E R

MR JAMES COX, *BSc (Econ) (Hons), MA (Econ)*

Appointed for 5 years from 22 February 1996. Former Principal Adviser, Government Pricing Tribunal/IPART, 1992-96. Consultant, NSW Cabinet Office, 1989-92. Principal Economist, Office of EPAC, 1986-89.

Temporary Members

MR ROBERT BRUCE, *BE HONS (CIVIL ENG), BSc, MBA*

Previously a permanent member — appointed temporary member 22 February 1996 to 30 June 1997. Principal of Robert Bruce and Company, providing specialist advice on financial management and corporate strategy. Currently Visiting Fellow, Graduate School of Management, Macquarie University. Previously Vice-President, Citibank.

MS LIZA CARVER, *BEC, LLB, LLM*

Appointed 20 December 1996 to 30 June 1997. Currently a lawyer with Gilbert and Tobin, an Associate Member of the Australian Competition and Consumer Commission (ACCC), Executive Member and Treasurer of the Consumers' Federation of Australia and a member of the NSW Premier's Council for Women.

MS CRISTINA CIFUENTES, *BEC, LLB(HONS)*

Appointed 9 September 1996 to 8 September 2000. Currently Investment Strategist/Group Economist with BNP Investment Management and a member of the Premier's Council for Women. Previously Senior Economist with NSW Treasury and with Rothschild Australia, and Head of Legal Policy, Australian Securities Commission.

PROFESSOR WARREN MUSGRAVE, *MSc AGR, PhD*

Appointed 22 February 1996 to 31 December 1997 to assist the Tribunal with reviews of the pricing policies of local water authorities and the review of rural bulk water pricing. Emeritus Professor of Agricultural Economics at the University of New England, and Catchment Assessment Commissioner, 1995. Currently Special Adviser to the Premier's Department.

MR JOHN WARD, *BSc.*

Appointed 3 September 1996 to 3 September 1997. Currently an executive of News Corporation Limited. Previously Managing Director and Chief Executive of Qantas Airways Ltd, and Chairman of Australian Airlines.

Primary Objectives

introduction

THE TRIBUNAL'S *PRIMARY OBJECTIVES* ARE TO:

- ❖ achieve the best feasible pricing outcomes that balance the competing claims within the community
- ❖ provide high quality advice to government on industry issues
- ❖ achieve effective access to key public utility infrastructure services.

The Tribunal meets these primary objectives by undertaking a comprehensive program of pricing and gas tariff determinations; pricing policy and industry reviews; approving access arrangements and arbitrating access disputes. It also provides assistance on pricing matters to NSW agencies and to other State governments.

The Tribunal's performance in meeting these objectives is reported in the form of an overall review of the following programs:



WATER

- ❖ pricing urban water
- ❖ pricing backlog sewerage services
- ❖ reviewing bulk water pricing
- ❖ recommending pricing policies for local water authorities
- ❖ setting developer charges for urban water authorities
- ❖ monitoring compliance.

ELECTRICITY

- ❖ reviewing the medium term price path for electricity prices
- ❖ setting street lighting prices
- ❖ setting methodologies for capital contributions
- ❖ assisting with the establishment of a competitive electricity market
- ❖ comparison and monitoring of retail prices
- ❖ negotiation of network prices
- ❖ development of guidelines for embedded generation
- ❖ monitoring compliance.

GAS

- ❖ approval of arrangements for third-party access to AGL's gas distribution network
- ❖ AGL tariff increase
- ❖ monitoring compliance.

PUBLIC TRANSPORT

- ❖ reviewing public transport pricing
- ❖ setting annual fares
- ❖ reviewing Countrylink pricing
- ❖ monitoring compliance.

INDUSTRY REVIEWS

- ❖ reviewing the deregulation of intrastate air services
- ❖ reviewing the benchmarking of local government performance.

THIRD~PARTY ACCESS

- ❖ support for access regulation
- ❖ registering access agreements
- ❖ arbitrating disputes on access agreements.

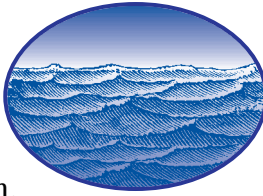
ASSISTANCE UNDER SECTION 9 OF THE IPART ACT

- ❖ Assisting NSW agencies
- ❖ helping South Australia to review SA Water's pricing policies
- ❖ helping the Australian Capital Territory to investigate ACTEW's charges.

Water

PRICING URBAN WATER

In 1995/96, IPART determined medium term price paths for Sydney Water Corporation, Hunter Water Corporation, Gosford City Council and Wyong Shire Council.



The implementation of these price paths was monitored by IPART in 1996/97. In 1997/98 the Tribunal will undertake a mid-term review of Sydney Water Corporation and Hunter Water Corporation price determinations with the intention of establishing whether the original determination remains appropriate.

Prices for miscellaneous customer services provided by Sydney Water were not addressed at the time the medium term price paths were set, pending consultation by Sydney Water with key interest groups. Subsequent to the completion of this consultation, the Tribunal issued a miscellaneous charges determination in June 1997.

Sydney Water Corporation - prices for miscellaneous customer services (June 1997)

PRICING BACKLOG SEWERAGE SERVICES

Backlog sewerage involves the provision of environmentally acceptable sewerage management in urban areas that are served by a water authority, but currently lack a sewerage system.

The Tribunal decided that, where backlog sewerage programs provide environmental and public health benefits to the wider community, a maximum of 25 percent of the capital costs will be borne by local residents. The remainder of the costs will be shared by customers of the relevant water authority through increases in the common sewerage charge. Charges to pensioners and others experiencing financial hardship may be subsidised, if considered appropriate, by the government.

In July 1997, the Tribunal determined the pricing for backlog monopoly sewerage services provided by Sydney Water Corporation and Gosford Council. The backlog sewerage charge in Sydney Water's four priority backlog areas was capped at \$3,000 per property, payable as an upfront charge

or by instalment over a period of up to 20 years. To avoid discrimination between new and existing sewerage customers of Gosford Council, it was determined that new customers who had not contributed to the Council's sewerage loan fund would pay the full cost of service provision.

Any increase in annual sewerage charges will be subject to the Tribunal's review of Sydney Water's price path in the coming year.

Backlog areas serviced by Hunter Water Corporation and Wyong Shire Council will also be charged in accordance with this determination.

Determination of pricing of backlog sewerage services for Sydney Water Corporation, Gosford City Council, Hunter Water Corporation and Wyong Shire Council (July 1997)

Sewerage backlog pricing - an issues paper (January 1997).

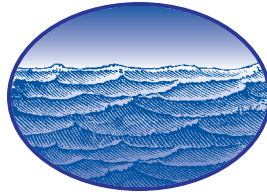
REVIEWING BULK WATER PRICING

IPART's review of bulk water pricing began in November 1995. Prices for 1996/97 were frozen while the Tribunal examined the following issues:

- ❖ improving transparency and accountability
- ❖ clarifying future capital expenditure requirements
- ❖ developing a regional focus for charging and service delivery
- ❖ allocating costs to user groups
- ❖ identifying the beneficiaries of the expenditure
- ❖ improving the efficiency of the Department of Land and Water Conservation.

In October 1996, the Tribunal published an interim report stating principles for setting bulk water charges and recommending how the principles should be implemented. In response to the report, submissions from 54 organisation and individuals were received. At public hearings held in March 1997 in Moree, Dubbo, Griffith and Sydney, the recommendations were discussed. Liaison meetings with representatives of irrigators and other interested parties were held throughout the State during the second quarter of 1997.

Water



The Tribunal released a draft determination setting out its proposals for new prices for bulk water to apply during 1997/98.

The final determination of prices for 1997/98 was made in September 1997. A submission in January 1998 from the Department of Land and Water Conservation will commence the process for determining prices to apply from 1 July 1998.

Draft determination of bulk water prices from 1 July 1997 (July 1997)

Bulk Water Prices - an Interim Report (October 1996)

RECOMMENDING PRICING PRINCIPLES FOR LOCAL WATER AUTHORITIES

In this review the Tribunal examined whether a common set of pricing principles could be used by 130 local government authorities which provide water supply and related services across NSW.

The common set of pricing principles were:

- ❖ pricing should reflect cost, which should in turn reflect efforts to achieve efficiency gains
- ❖ consumers should have the power to influence their bill by controlling the amount of water they consume
- ❖ pricing and investment decisions are interrelated
- ❖ cross subsidies should be eliminated
- ❖ the distributional effect of changes to pricing should be catered for through safety nets
- ❖ capital expenditure resulting from changes in water quality standards should occur only after a transparent process involving consideration of costs and benefits.

In September 1996 the Tribunal recommended how local water authorities should implement these pricing principles taking account of their particular local circumstances.

Pricing principles for local water authorities (September 1996)

SETTING DEVELOPER CHARGES FOR URBAN WATER AUTHORITIES

The Tribunal has determined methodologies for the setting of developer charges by urban water authorities.

During the year a seminar was held to discuss issues relating to the implementation of the methodologies with developers, water agencies, local water authorities and other interested parties. Liaison with developers and the water agencies continues at meetings of a developer charges forum.

In July 1997 the Tribunal gazetted supplementary information clarifying the pricing guidelines to ensure that the urban water authorities adopt a more uniform approach to pricing. This clarification note relates to the calculation of the revenue offset amount.

Developer charges for water, sewerage and drainage services - a supplementary note to the guideline for the methodology to be used in calculating developer charges - Gazette no 81, 18 July 1997

MONITORING COMPLIANCE

To assist with monitoring compliance with medium term price paths, all urban water agencies have been asked to provide a range of information annually which specifically covers the regulated services. This information will be signed off by the senior management of the agency.

Electricity

REVIEWING THE MEDIUM TERM PRICE PATH FOR ELECTRICITY PRICES



In March 1996 the Tribunal issued medium term price paths for transmission services by TransGrid, and for retail supply and distribution of electricity by NSW electricity distributors. These determinations set the basis for electricity prices through to 1999. Further determinations for medium term price paths were made in July 1997 which corrected minor anomalies arising from the operation of the earlier determination.

During the year, the Tribunal monitored the operation of the medium term price paths. Towards the end of the year the Tribunal issued regulatory accounting guidelines. These guidelines set out the basis under which the electricity distributors are to prepare separate audited financial statements for their 'wires' and retail functions. These statements which are to be provided to the Tribunal will be an important element in ensuring compliance with the Tribunal's determinations.

Determination of electricity prices from July 1997 (August 1997)

SETTING STREET LIGHTING PRICES

IPART's regulation of street lighting prices has been necessary due to delays making this business contestable. Due to the lack of comprehensive data, price caps were set instead of revenue caps. The Tribunal has set these prices for one year to allow for review when improved data and results of the implementation of the price caps will be available.

Determination of electricity prices from July 1997 (August 1997)

SETTING METHODOLOGIES FOR CAPITAL CONTRIBUTIONS

Capital contributions are payments by customers to cover any augmentation of the electricity system that may be needed to allow their connection to the electricity network. IPART's March 1996 determination of medium term price paths for

electricity services did not cover such capital contribution costs.

The Government has mandated that from 1 February 1998, customers must be able to choose who performs their connection work. In the meantime, as long as connection work is performed as a monopoly function of electricity distributors, the methodology for calculating charges will be regulated.

In making its determination on connection costs, the Tribunal differentiated between work to and work beyond a "connection point" (defined as the nearest point on the network capable of supporting the additional customer's load). A methodology was established for customer funding up to connection points. Costs beyond that point are regarded as augmentation costs to be paid by the distributor as part of general network upgrading.

The Tribunal also established a methodology for pricing recoverable works until they become contestable. The Tribunal approved the charging of additional miscellaneous fees to cover time spent travelling to rectify customer's supply faults in remote areas.

Electricity capital contributions and recoverable works (September 1996)

Pricing for capital contributions and recoverable works - an issues paper (June 1996)

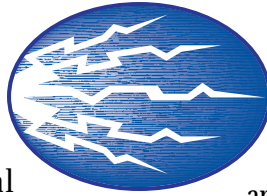
ASSISTING WITH THE ESTABLISHMENT OF A COMPETITIVE ELECTRICITY MARKET

During the year the IPART electricity team worked with the various parties responsible for restructuring electricity services to develop competitive arrangements for electricity generation and retailing. The Tribunal's four chief objectives for electricity were to:

- ① ensure that the regulatory framework recognised the Tribunal's role in price setting for monopoly services
- ② encourage competitive market forces

Electricity

- ③ effectively regulate those parts of the industry which are still monopoly businesses
- ④ ensure that existing and potential competitors have access to a distribution system on reasonable terms.



IPART's Secretariat consults regularly with groups representing the distribution and retail supply businesses, TransGrid, members of the NSW Electricity Task Force, Treasury and various consumer, business and environment groups.

COMPARISON AND MONITORING OF RETAIL PRICES

Retail suppliers have discretion to establish prices for franchise customers within regulated parameters set by the Tribunal. The Tribunal published a report comparing the retail prices for each of the NSW regulated retailers and also comparing the prices in NSW with those in other states. The retail prices list shows prices for the different types of franchise customers.

Electricity prices - an information paper (January, 1997)

NEGOTIATION OF NETWORK PRICES

Regulated network prices inevitably involve a degree of averaging in order to enhance transparency and reduce administrative costs. Negotiation can provide scope for a more flexible approach to price setting. In this regard the Tribunal has stressed the important role negotiation can play within the regulatory framework.

In August 1996 the Tribunal's Secretariat issued a discussion paper on Negotiation and Embedded Generation to provide guidance on the principles on scope for negotiation.

Negotiation and Embedded Generation - A Discussion Paper (August 1996)

DEVELOPING GUIDELINES FOR EMBEDDED GENERATION

Presently large-scale power stations, which are often remote from major centres of energy use, supply much of the community's energy needs. However, local – or embedded – generation can play a key role in promoting competition through:

- ❖ Competing with other generators in the wholesale electricity market and
- ❖ Increasing the competitive pressures on network services providers by offering an alternative to intensive use of the transmission and distribution networks.

In May 1997 IPART issued "Guidelines for the negotiation of network charges for embedded generation. Importantly, the guidelines proposed that cost savings through reduced network expenditure be shared between the network business and the embedded generator.

Further work is underway on the associated issues of standby charges and connection charges.

Guidelines for the Treatment of Embedded Generation (May 1997)

MONITORING COMPLIANCE

To assist with monitoring compliance with medium term price paths, all electricity distributors have been asked to provide a range of information annually for the wires and retail supply parts of their businesses. This information will be signed off by the senior management of the agency.

Gas



APPROVAL OF ARRANGEMENTS FOR THIRD PARTY ACCESS TO AGL'S GAS DISTRIBUTION NETWORK

Provision for the Tribunal to approve the conditions under which third-party access will be available to gas distribution networks in NSW was made in the Gas Supply Act 1996 and in the third party access code for gas undertakings released by the Department of Energy.

The Tribunal approved third-party access to AGL's gas distribution networks in NSW by way of the Determination of an Access Undertaking (as varied) made by AGL. Formal access was confirmed by the gazettal of an Access Date of 1 August 1997 by the Minister for Energy.

The Determination reflects the Tribunal's careful consideration of all the information placed before it by stakeholders and is the result of extensive consultation with interested parties and AGL. The Access Undertaking covers Transportation Service, Tradeable Capacity Service and Multiple Delivery Point Transportation Service for the period to 30 June 1999.

Main features of provisions for third-party access to AGL's gas distribution network

The Access Undertaking (as varied) will provide access to the gas system for third parties at agreed reference tariffs or at negotiated prices. Although most customers may obtain access at the reference prices, the right to negotiate prices is an important component of the regime.

Average contract market transportation charges will fall from \$2.26 per GJ in 1995/96 to \$1.05 per GJ in 1999/2000. This is nominal reduction of over 50 percent, and closer to 60 percent in real terms. Average prices will fall in all regions, but the extent of the reduction will vary, reflecting the assets required to serve each region.

Average 1995/96 prices charged by AGL Gas Company for transportation were well above that charged by USA gas utilities. Over the next few years price reductions to industrial customers will

bring prices to within the range of those in the United States.

Retail prices for the tariff market continue to be constrained by the price control formula set by the former Gas Council which limits the average increase to a maximum of CPI-1.5 percent.

Draft Determination on the Proposed Access Undertaking of AGL Gas Company (September 1996).

Access to the Distribution Network of AGL Gas Companies (NSW) Limited: A Progress Report from the Secretariat (November 1996)

Draft Determination on the Proposed Access Undertaking (as varied) of AGL Gas Networks Limited (May 1997)

Final Determination on the Access Undertaking (as varied) of AGL Gas Networks Limited (July 1997)

AGL TARIFF INCREASE

Effective 1 July 1997, the Tribunal approved increases to the fixed charge component of AGL's tariff market customers. This increase fell within the CPI-1.5% constraint established by the former Gas Council, and also within AGL's voluntary tariff setting guidelines

MONITORING COMPLIANCE

In the gas area, the Tribunal is working with stakeholders to develop accounting guidelines and an information reporting package for gas utilities. This will allow the Tribunal to better monitor compliance with its Determination.



Public Transport

REVIEWING PUBLIC TRANSPORT PRICING



Following release of the Tribunal's interim report on transport pricing, public hearings were held in April 1996 to consider comments. The final report on the major review of transport pricing was published in October 1996. While the hearing refined some of the Tribunal's thinking, overall the final report confirms the proposed approach and major recommendations contained in the interim report.

A major concern of the transport inquiry was how to get better value from very large amounts of public money that flow into public transport - usually well in excess of \$1 billion every year. IPART believes there is scope for better transport solutions and equity outcomes (achieving greater value for the same money) by increasing the share of funding provided directly by passengers through increased fares and by improved cost control.

In the report, the Tribunal advocated the introduction of real increases in CityRail fares of more than 15 percent over the next four years to reduce the gap between fare revenue and official operating costs. The public transport review will guide future fare setting. IPART will:

- ❖ set fares that encourage productivity gains by transport operators
- ❖ ensure fares set are consistent with encouraging growth in public transport patronage
- ❖ remove anomalies and further consider equity and environmental issues.

Inquiry into the pricing of public passenger transport services (October 1996)

Transport review - Interim report (March 1996)

SETTING ANNUAL FARES

Following completion of the transport review, the Tribunal has continued to set fares for CityRail and STA buses and ferries annually. The approach taken has had regard to the findings of the review, policy objectives and constraints affecting public transport.

The Tribunal was concerned that CityRail had recently shown poor operating performance and reliability. Assurances have been sought from CityRail that performance will improve and appropriate performance measures are being developed.

Given these factors, while permitting some fare rationalisation, in its 1997 fare determination the Tribunal decided to limit average fare increases for CityRail to the CPI.

Similarly, only modest fare increases were permitted for STA buses. STA ferry fares were increased by a higher amount to lift cost recovery.

Over the coming year, IPART is undertaking an examination of efficient cost levels for STA. The findings of this process will be considered in setting future fare levels.

Determination of public transport fares for CityRail and STA buses and ferries from 29 June 1997 (June 1997)

REVIEWING COUNTRYLINK PRICING

In conjunction with the major review of public transport pricing the Tribunal reviewed the pricing of Countrylink services. An interim report on the review was released in February 1997 and the Tribunal is currently considering comments made in response to that report.

Under current arrangements, relatively few of Countrylink's transport services have any prospect of being operated on a commercial footing. The interim report informs the community of the nature of Countrylink services, who uses them, and the extent of subsidies funded by taxpayers.

Coach and air operators also service most Countrylink destinations. Given the nature of the business the Tribunal sees no benefit in regulating Countrylink's maximum fares. However, ways have been recommended in which Countrylink's costs could be reduced and the services could be improved.

Review of pricing principles for Countrylink - Interim report (February 1997)

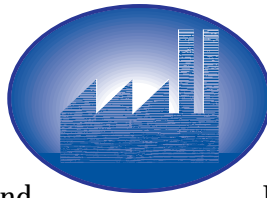
Review of pricing principles for Countrylink - an issues paper (September 1996)

MONITORING COMPLIANCE

To assist with monitoring compliance with determinations, the Tribunal reviews fare schedules and requests information on service standards. Performance and reliability measures are being developed for CityRail services to provide the Tribunal with improved information on these standards.

Industry Reviews

REVIEWING THE DEREGULATION OF INTRASTATE AIR SERVICES



The Tribunal's review of the regulation and licensing of intrastate air services in NSW was undertaken as part of the State's commitment to implement national competition reforms. Consistent with the requirements for National Competition Policy, the terms of reference required the Tribunal to focus on recommendations for a transition to a competitive air transport market which would minimise government intervention while preserving the public interest.

The review involved significant public consultation. Hearings were held in several regional centres as well as in Sydney, and an interim report was issued for public comment. Through these consultative processes, the airlines, local councils, and other market participants were given the opportunity to voice their views.

While recognising that some services to small rural centres may suffer, the Tribunal's conclusion is that the State as a whole will benefit greatly from the deregulation of air services.

The Tribunal believes that the greatest benefits will be achieved through the simultaneous deregulation of all routes. This would not prevent any tier of Government from providing any support that might be needed to ensure the continuation of services to some areas.

A recommended target of May 1999 was proposed for deregulation, with the announcement of this change to be made during 1997 to allow participants sufficient time to prepare for deregulation.

*Final Report - Review of Regulation and Licensing of Air Service Operations in NSW
(July 1997)*

*Interim Report - Review of Regulation and Licensing of Air Service Operations in NSW
(February 1997)*

*Review of Regulation and Licensing of Air Service Operations in NSW - an issues paper
(July 1996)*

REVIEWING THE BENCHMARKING OF LOCAL GOVERNMENT PERFORMANCE

Benchmarking is potentially a valuable instrument for achieving efficiency gains and measuring service delivery. It may also promote "yardstick" competition.

The Tribunal is currently reviewing the benchmarking of local government performance in NSW. An issues paper was released in April 1997. Submissions in response were received in June 1997, and public hearings will be held in July and August 1997 in Sydney and regional centres.

The report is due to be completed by March 1998.

*Benchmarking Local Government performance
in NSW - an issues paper (April 1997)*



Third Party Access

The Competition Principles Agreement requires all Australian governments to implement a range of measures to promote competition.

One of these measures is to provide third parties with access to major infrastructure operated by public utilities. This includes railway tracks and electricity and gas distribution networks, which cannot be duplicated economically.

In January 1996 amendments to the Independent Pricing and Regulatory Tribunal Act established IPART as the regulator of access to government monopoly infrastructure in NSW. The Gas Supply Act 1996 also provides a role for the Tribunal in third-party access to NSW gas distribution networks.

The Tribunal's role as access regulator has varied from industry to industry. Whilst IPART has been closely involved in developing access regimes for electricity and gas, we have had little involvement in developing an access regime for rail. Nevertheless, for all three industries, the Tribunal has a role as the arbitrator responsible for resolving access disputes.

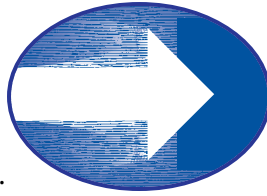
SUPPORT FOR ACCESS REGULATION

The Tribunal contributed strongly to development of the NSW Access Regime for Natural Gas Distribution Networks (first established in August 1996 and subsequently amended in April 1997). This involved providing detailed comments on drafts of the Gas Supply Act 1996 and the development of the NSW Access Code. The NSW regime will operate until the national regime has been accepted by all jurisdictions.

The Tribunal also has contributed to the development of the draft National Access Code. The Tribunal's experience in applying the NSW Access Code to determine AGL's Access Undertaking provided valuable inputs to making the national gas access regime more effective.

REGISTRATION OF ACCESS AGREEMENTS

Under the Independent Pricing and Regulatory Tribunal Act the Tribunal keeps registers of access agreements. The access agreement register provides basic information on the parties involved,



the services provided, and the dates of agreements. Up to date information from the register can be found on the Tribunal's website.

ARBITRATING DISPUTES OVER ACCESS AGREEMENTS

The Tribunal has powers under the IPART Act and the Gas Supply Act to arbitrate disputes concerning access to utility infrastructure assets that are subject to state regulation. This role extends to electricity transmission, electricity distribution, natural gas distribution, and rail infrastructure.

To support this new role, an Arbitration Registry is has been established within IPART. The Arbitration Registry's personnel:

- ❖ support the Arbitrator with access arbitration issues
- ❖ provide advice and procedural information to parties contemplating arbitration
- ❖ assist with the conduct of arbitrations
- ❖ provide non-confidential information regarding determinations, subject to the parties' agreement.

To ensure procedural fairness, the registry is 'ring-fenced' (ie kept separate) from IPART's Secretariat during an arbitration. Arbitrations are generally conducted in private and follow strict rules of due process.

The Tribunal can decide whether to act as arbitrator or to appoint one or more persons from an approved panel. If the parties have reasonable objections to the Tribunal acting as an arbitrator the Tribunal will appoint a suitable person from the approved panel. This is particularly the case where the Tribunal has been closely involved with the development of the access regime.

In developing this new role, the Tribunal soon discovered that the procedures and practices outlined in the Commercial Arbitration Act 1984 were insufficient. With specialist legal assistance the Tribunal developed its own Arbitration Procedures and Practice Notes to provide guidance to parties contemplating arbitration. *(cont over)*

Third Party Access

An access dispute between the Rail Access Corporation and the National Rail Corporation was referred to IPART for arbitration on 23 August 1996. This arbitration was the first conducted by IPART and the first of its type in Australia.

The dispute raised complex legal, economic, accounting and engineering issues. It was resolved on 12 March 1997 when a consent award was made by IPART. The costs of the arbitration and associated advice were recovered from the parties.

No other access arbitration was undertaken in the reporting year, but several parties have been provided with procedural advice regarding possible future arbitrations.

Procedures and Practice Notes for Arbitration of Disputes over Access to Monopoly Infrastructure (January 1997)



Assistance

UNDER SECTION 9 OF THE IPART ACT

The IPART Act was amended in 1996 to allow the Tribunal to assist other agencies and persons in fields within the scope of the Tribunal's expertise providing that this does not detract from the Tribunal's normal work programs. This assistance under Section 9 of the Act is subject to approval by the Premier.



ASSISTING NSW AGENCIES

The Tribunal provided assistance to the Premier in the analysis of the costs and benefits of options for competition in the NSW bus industry. The analysis considered bus services provided under commercial contract by government and private bus operators. This assessed three possible options against the broad objectives of improving service levels, reducing passenger fares, decreasing the cost to government and increasing service utilisation.

ASSISTING OTHER STATES

As a consequence of the national Competition Principles Agreement, other States and Territories are in the process of developing regulatory arrangements similar to those undertaken by IPART. Our experience in this role and our trained staff equip us to be able to assist other States and Territories in a cost-effective manner.

During 1996/97 the South Australian and ACT Governments approached the Tribunal for assistance with their initial regulatory activities. The Tribunal earned total revenue of \$276,000 for assistance provided to both governments.

Helping South Australia to review SA Water's pricing policies

IPART assisted the SA Competition Commissioner with a review of the current pricing structures of SA Water for providing water and sewerage services to metropolitan and country South Australia. This included identifying pricing options, liaison with SA Water and assistance with the drafting of the Commissioner's report.

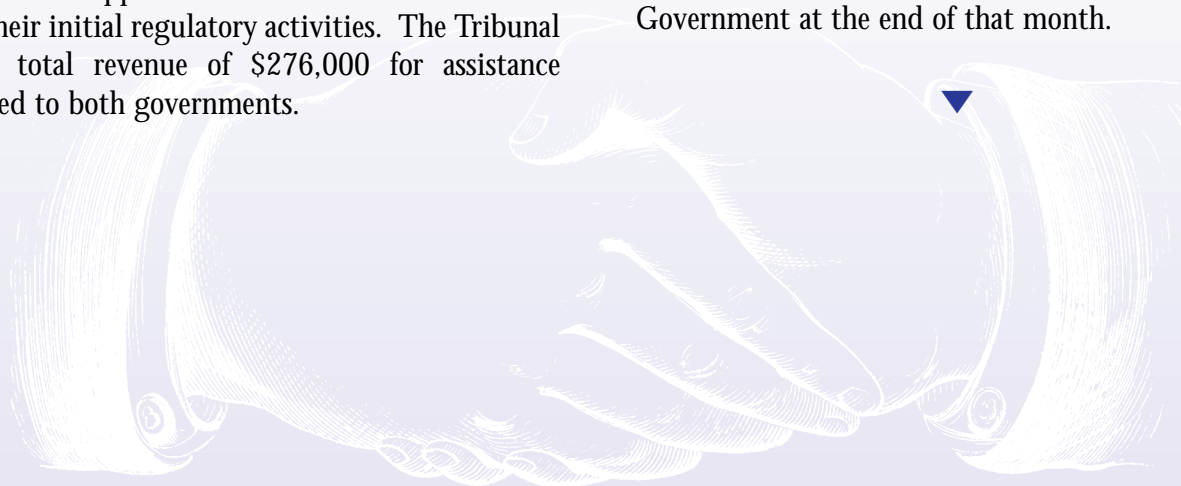
The report was completed in March 1997 and presented to the SA Parliament by the Commissioner in April 1997.

Helping the Australian Capital Territory to investigate ACTEW's charges

The Tribunal assisted the ACT Energy and Water Charges Commissioner with an investigation into charges for electricity, water and sewerage services supplied to the ACT by ACTEW Corporation Limited.

Our Secretariat provided comprehensive support to the Commissioner, including assistance with the public hearings, briefings on submissions, financial modelling, assistance in liaison with ACTEW, and drafting of the Commissioner's report.

The final report was submitted to the Commissioner in mid April 1997 and the Commissioner presented his report to the ACT Government at the end of that month.



Supporting Objectives

THE TRIBUNAL'S *SUPPORTING OBJECTIVES* ARE TO:

- ❖ consult widely with our stakeholders
- ❖ achieve excellence in both organisation and staff performance.

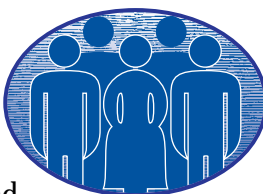
Consulting widely

WITH OUR STAKEHOLDERS

STAKEHOLDERS

IPART stakeholders are people and organisations with some vested interest in the way the Tribunal operates. The needs and expectations of key stakeholders are critical factors that must be considered. IPART stakeholders and their expectations are many and varied. Key stakeholders are:

- ❖ the Government
- ❖ shareholders (including government shareholders)
- ❖ "regulated" enterprises
- ❖ customers of "regulated" enterprises
- ❖ the community
- ❖ interest groups (including industry, environmental and welfare groups)
- ❖ third parties (those seeking access to infrastructure facilities)
- ❖ other jurisdictions
- ❖ our staff.



- ❖ holds public hearings, with transcripts available for public inspection
- ❖ arranges public seminars and workshops
- ❖ seeks the views of the public through advertisements and surveys
- ❖ maintains a public register of material placed before it
- ❖ publishes issues and discussion papers and research reports
- ❖ consults extensively with interested organisations and the parties affected by investigations
- ❖ where appropriate, releases interim reports and seeks comments before releasing final reports
- ❖ explains its decisions in published reports
- ❖ maintains an Internet website with comprehensive information about the Tribunal's role, investigation timetables, submissions and reports issued.

STAKEHOLDER INVOLVEMENT IN TRIBUNAL INVESTIGATIONS

Transparency is an important element to ensure that the Tribunal's activities are well understood and that all stakeholders can participate as fully as possible in the Tribunal's processes.

Stakeholder involvement is an important part of the Tribunal's processes to ensure that the Tribunal is aware of the range of viewpoints on the issues being considered.

To ensure that stakeholders are well informed the Tribunal:

- ❖ advertises all investigations and invites public submissions
- ❖ informs key stakeholders of investigations and seeks submissions

CONSULTATION WITH STAKEHOLDERS

In providing advice to the Tribunal, the Secretariat liaises extensively with other Government agencies, businesses, consumer, welfare, and private organisations, special interest groups, and individuals. As well as receiving a wide range of information from the Government agencies whose monopoly services are subject to review or price determination by the Tribunal, the Secretariat has received substantial input from various Government agencies whose operations or policy areas impinge on the business activities of those agencies.

A number of consultative groups have been formed to improve the Tribunal's awareness of the views of interested parties and to provide forums for discussion developments in regulated markets.

Consulting widely

WITH OUR STAKEHOLDERS

These include:

Developer Charges Forum - Representatives from land developers, urban water agencies and relevant government agencies and IPART consult on issues affecting the implementation of the methodology for pricing of developer charges for water and sewerage services.

Wires Working Group - Liaison with electricity distributors, TransGrid and the Electricity Reform Taskforce on network pricing, technical metering and related access issues.

Retail Supply Working Group - Consultation with retail electricity suppliers, the Electricity Reform Taskforce and the Treasury on retail pricing issues. Representation is planned from new retailers who have recently joined the industry following the introduction of a more competitive environment.

Electricity Customer Consultation Working Group - Liaison on electricity pricing issues with customer, environmental and business groups, the Department of Energy and the Electricity Reform Taskforce.

Gas Industry Consultation Group - through this proposed group, service providers, users and prospective users and IPART will be able to consult on matters relating technical and other issues arising from third party access to gas distribution networks.

REPORTS AND PUBLICATIONS

A range of publications are released for Tribunal investigations covering:

- ❖ issues papers
- ❖ information and research papers
- ❖ interim and final reports.

Details of reports released during 1996/97 are shown with individual program reports presented above and a list of publications is shown in Appendix 3. Recent reports can also be accessed on the Tribunal's website (*see over*).

All formal price determinations under the IPART Act are published in the Gazette.

PUBLIC HEARINGS, SUBMISSIONS AND TRANSCRIPTS

The Tribunal is required to hold at least one public hearing for each investigation. Details of public hearings held during 1996/97 are shown in Appendix 2.

Copies of all submissions that are not subject to commercial confidentiality are available for public inspection immediately following registration by the Tribunal. Copies may also be purchased. Statistics of submissions received during 1996/97 are shown in Appendix 2.

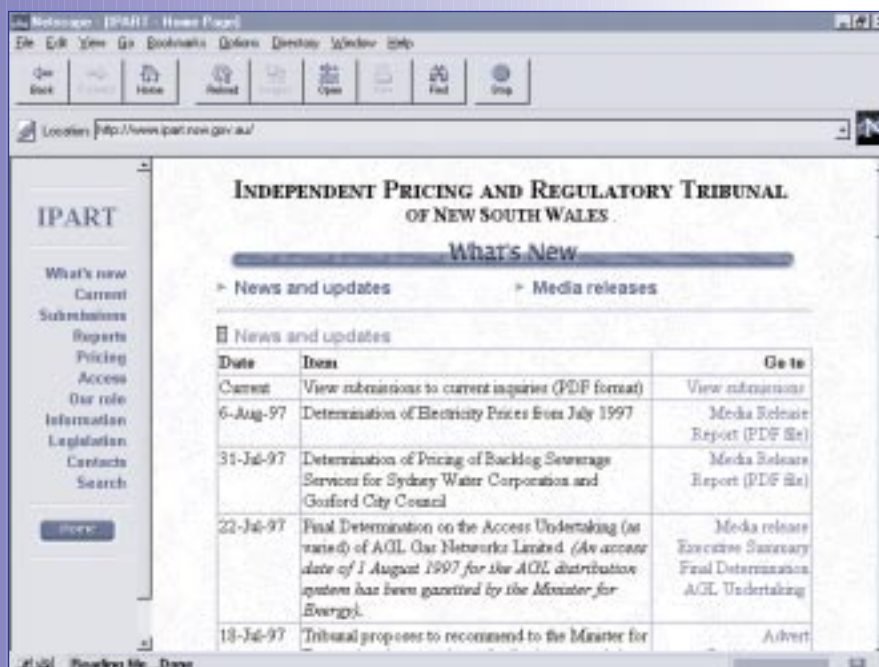
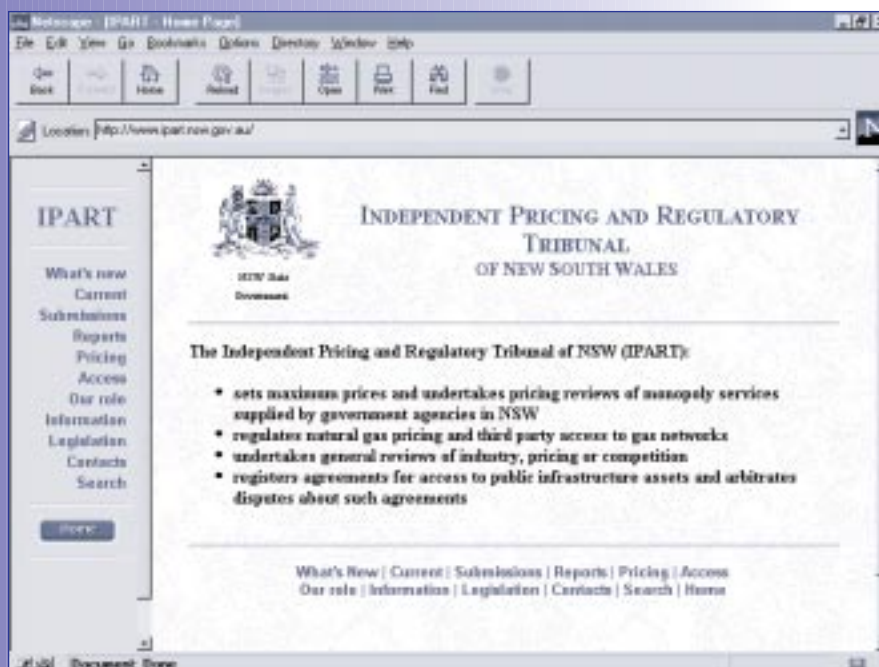
Transcriptions are made of the proceedings of all public hearings and are available for public inspection.

Copies of all submissions and transcriptions are available for inspection from the Tribunal's public access library located at Level 2, 44 Market Street, Sydney. Inquiries: telephone (02) 9290 8400, facsimile (02) 9290 2061.

From the second quarter of 1997 onwards, all public submissions to current investigations and transcripts of public hearings have been available for viewing on the Internet on the Tribunal's website (*see over*).

IPART's Website

The IPART website was launched in February 1997 at: www.ipart.nsw.gov.au



The Website provides on-line access to a wide range of up to date information about the Tribunal's activities. It includes current information on:

- ❖ The role of IPART, including links to legislative sources and the Corporate Plan
- ❖ Current timetables, including submission dates and hearing locations
- ❖ Access to copies of current public submissions and hearing transcripts
- ❖ Recent advertisements and media releases
- ❖ Recent reports and publications
- ❖ Program reviews
- ❖ Tribunal addresses and contacts.

A 'What's New' page is a key element in the design of the site and links all recent developments to the information elsewhere in the site.

Importantly the Website site allows users to view and download copies of all recent publications and public submissions. An increasing number of information requests that would otherwise require a printed publication or inspection of submissions at the Tribunal's offices are now being met by referring the inquirer to the Website.

MEETING OUR SUPPORTING OBJECTIVES (CONT)

Achieving excellence

IN BOTH STAFFING AND ORGANISATION

THE TRIBUNAL'S SECRETARIAT



The Tribunal's Secretariat provides research and advisory services to the Tribunal and supports the administration of the Tribunal's investigations and its public processes.

Staff members are predominantly highly experienced economists and financial or accounting analysts who work in industry based teams which undertake research and investigation to provide skilled professional advice to the Tribunal. An Access Group covers general third party access issues, the access agreement register and provides an Arbitration Registry when the Tribunal undertakes the arbitration of an access dispute.

An administration team provides general administrative and personnel support to the operational areas as well as managing the Tribunal's processes, including the public registry, submissions, preparation and publication of reports, and website.

In most investigations additional research activities are required to provide the Tribunal with the highest quality advice on frequently very complex topics. Additional consultant research is commissioned as required for this work. If necessary the Tribunal can also second staff from other government agencies to assist with particular investigations.

During the first three years of operation the Tribunal's Secretariat operated with a small team of about 15 staff. With the wider role for the Tribunal providing a substantial growth in workload, staff numbers increased to 32 at 30 June 1997 and may further increase to about 36 during the coming year.

ENCOURAGING EXCELLENCE IN AN OPEN WORKING ENVIRONMENT

The Tribunal's professional staff work on a team basis in two industry areas - water and transport; and energy and other industries. A Program Manager is responsible for each team allocated to specific industry area. Staff may work in more than one team and may move from team to team to give them the opportunity to gain experience in a variety of areas.

Interaction between teams is encouraged and staff members regularly make presentations on special

issues with which they have been involved. A regular peer review process is being developed.

Regular meetings are held of all staff and management, chaired by staff members. All staff also attend the Tribunal's annual Planning Conference which reviews the experience of the previous year and discusses the main factors and objectives for the following year's work program.

A STAFF DEVELOPMENT SYSTEM WHICH ENCOURAGES NEW SKILLS

All Tribunal staff are included in a Performance Enhancement System where a performance plan is developed and performance is assessed regularly with their supervisor. The system includes both an assessment of competencies required and identifies a training and development plan for each individual.

Staff are encouraged to identify opportunities, both in the workplace and through training, to develop new skills that will be of benefit to both the staff member and the Tribunal.

AN ENTERPRISE AGREEMENT FOR TRIBUNAL STAFF

All Tribunal staff are employed under Section 8(2) of the Independent Pricing and Regulatory Tribunal Act 1992. Employment conditions are similar to general public sector conditions with access to all relevant State superannuation schemes. An enterprise agreement covers the employment conditions of non-executive staff.

The agreement is designed to cover all the major working conditions of Tribunal staff. It includes a range of flexible working conditions including flexitime and arrangements for working from home. Staff members are paid in accordance with four overlapping salary ranges.

The first enterprise agreement covering Tribunal staff related to salaries and conditions up to 30 June 1996. During 1995/96, with the assistance of an independent facilitator, the staff negotiated a revised agreement covering salaries and conditions to 30 June 1998. This was approved by the Industrial Commission in February 1997. *(cont over)*

MEETING OUR SUPPORTING OBJECTIVES (CONT)

Achieving excellence

IN BOTH STAFFING AND ORGANISATION

The main changes in this agreement were reduction and equalisation of the number of steps in each salary band, and salary increases of 3 percent from the nearest pay period after 1 July 1997 and

1 July 1998 respectively. Improvements were made to some employment conditions, including arrangements for flexitime, family leave and working from home.

The Tribunal's Organisation

The Tribunal's Executive, which reports directly to the Chairman, has three members:



GENERAL MANAGER, SECRETARIAT
JOHN DULLEY, BA Hons

Secretary to the Tribunal, responsible for the general administration of the Secretariat, legislative compliance, public access arrangements, information technology and timely completion of Tribunal projects.



CHIEF MANAGER, ENERGY AND
OTHER INDUSTRIES
ERIC GROOM, BEc Hons, MEc

Responsible for managing industry programs, providing specialist advice to the Tribunal, and preparing discussion papers and Tribunal reports.



CHIEF MANAGER, WATER AND
TRANSPORT
**COLIN REID, BCom (Accounting),
Dip SIA, Assoc ASCPA**

Responsible for managing industry programs, providing specialist advice to the Tribunal, and preparing discussion papers and Tribunal reports.

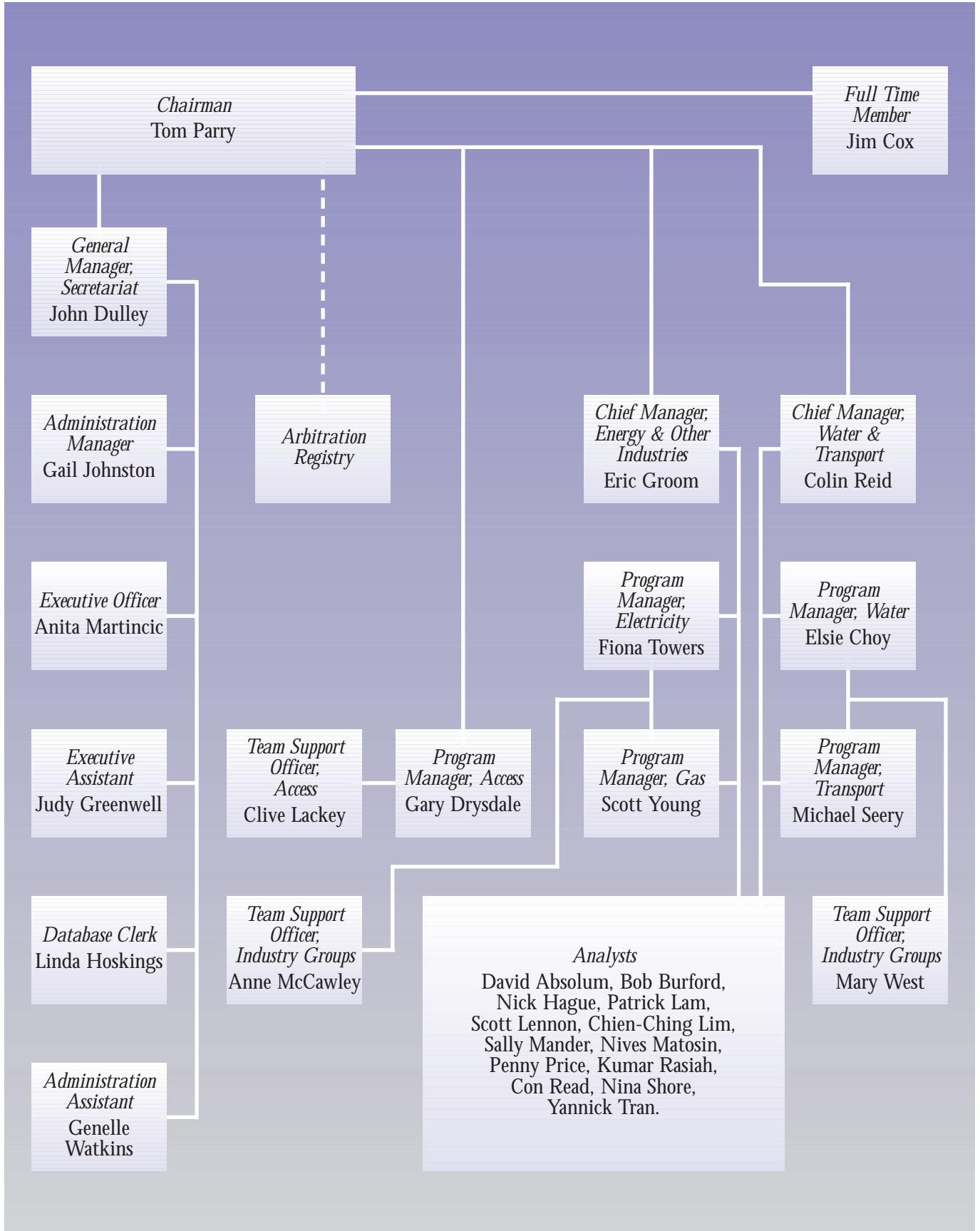


(Left to right)
IPART staff members Kumar Rasiah,
Linda Hoskings, Colin Reid,
Judy Greenwell and Scott Lennon
discuss release of a bulk water report.

Organisation Chart

AS AT 30 JUNE 1997

INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES



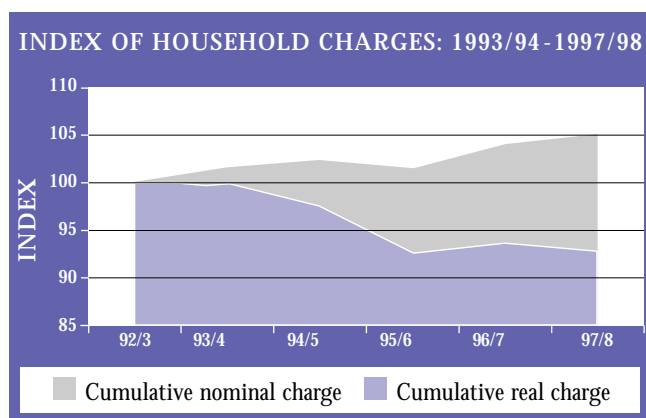
Impacts

O F T R I B U N A L D E T E R M I N A T I O N S

The Tribunal's price determinations affect both household expenditure and costs of businesses.

HOUSEHOLDS

The Tribunal has constructed an Index of Household Charges, which specifically measures the impact on an 'average' Sydney household of charges which are subject to maximum price regulation by the Tribunal. (An average household is one that uses electricity, water and public transport services according to the expenditure weights outlined in the 1993/94 Household Expenditure Survey.) The index is based on Australian Bureau of Statistics data on household expenditure.



The Index of Household Charges (see above) indicates that the prices of electricity, water and public transport services in Sydney will increase by an average of 1.1% in 1997/98. Taking into account a forecast average increase of 2% in 1997/98¹ of the cost of the total basket of goods measured by the consumer price index for Sydney, this implies a 0.9% real decrease in the index.

This follows a 5.1% real fall in 1995/96 and a 1.3% real increase in 1996/97. Over the period since 1992/93 to 1996/97, the index has fallen by 6.3% in real terms.

Water and sewerage bills fell in 1995/96 following the elimination of property rates based charges by Sydney Water and reform of charges for units and flats. However, they have risen from 1996/97 because usage charges and a number of fixed charges increased.

¹ NSW Budget papers, 1997/98

Nominal electricity bills were unchanged up to 1996/97.

Historically, IPART has regulated declared monopoly services supplied by the NSW Government in electricity, water and sewerage, and public transport industries. Residential gas prices had been regulated under the former NSW Gas Council. Under their existing gas price determination, residential gas prices increased by 2.6% in 1996/97, and are expected to increase by around 0.5% in 1997/98. Inclusion of gas in the Index of Household Charges for these years would not have altered the changes recorded in the graph.

NON-RESIDENTIAL CUSTOMERS

Water

Property-value based charges for business customers have been reduced substantially over the last 5 years. Table 1 indicates the effects of recent Tribunal determinations on non-residential customers serviced by the Sydney Water Corporation and Hunter Water Corporation.

TABLE 1. REDUCTIONS IN NON-RESIDENTIAL CHARGES IN NSW WATER SECTOR

Date of Change	Reduction in non-residential charges (\$m)	Nominal change (%)	Real change (%)
<i>Sydney Water Corporation</i>			
July 1993	63.8	- 10.7	- 11.9
July 1994	91.8	- 17.2	- 20.0
July 1995	52.8	- 12.0	- 16.2
July 1996	6.8	- 1.8	- 3.1
July 1997	3.0	-0.8	-2.6
Cumulative 5 year total	218.2	- 36.6	-44.3
<i>Hunter Water Corporation</i>			
July 1993	7.5	- 15.5	- 16.7
July 1994	7.0	- 17.1	- 19.9
July 1995	1.2	- 3.5	- 8.2
July 1996	-0.5	1.5	0.1
July 1997	-0.3	0.9	-1.0
Cumulative 5 year total	14.9	- 30.8	-39.2
Total reduction (SWC + HWC)	233.1		

Impacts

O F T R I B U N A L D E T E R M I N A T I O N S (C O N T)

Tribunal determinations for 1997/98 mean that average bills for non-residential properties in Sydney and the Hunter will be lower by 36.6% and 30.8% respectively than 1992/93 levels. This is equivalent to about 44.3% and 39.2% in real terms. Overall, water charges for the non-residential sector have fallen by \$233m since 1992/93.

Electricity

Table 2 indicates the effects of Tribunal determinations for non-residential electricity customers in NSW.

TABLE 2. REDUCTIONS IN NON-RESIDENTIAL CHARGES IN THE NSW ELECTRICITY SECTOR

Date of Change	Reduction in non-residential charges (\$m)	Nominal change (%)	Real change (%)
July 1993	125	- 4.9	- 6.2
July 1994	260	- 10.7	- 13.7
Mar 1996	175	- 8.1	- 12.5
Cumulative 3 year total	560	- 22.0	- 29.2

Tribunal determinations from 1993 to 1996 resulted in a cumulative reduction of \$560m in bills for non-residential electricity customers in NSW.

These reductions meant on average that non-residential bills fell by 22% nominally, or about 29.2% in real terms over that period.

Since 1996, a number of larger non-residential customers have become contestable. Accurate comparison of prices and the extent of price reductions are not possible. However, customer surveys suggest reductions of 30-40% have not been uncommon.

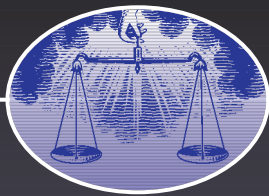
Gas

During the last year the Tribunal released its Determination on AGL Gas Networks Limited's Access Undertaking. Table 3 indicates how average gas transport prices will change under the Access Undertaking. Average prices will fall from \$2.26 to \$1.05 per GJ by 1999/2000 – a fall of almost 60 per cent in real terms.

Average prices will vary between regions within the State. These variations reflect the assets required to serve each region. However, as the table indicates, average prices will fall in all regions.

TABLE 3: AVERAGE GAS TRANSPORT PRICE BY REGION (\$/GJ)

Region	1995/96	1999/2000
Sydney	2.59	1.07
Newcastle	1.45	1.10
Wollongong	1.76	0.65
Central Coast	4.74	3.56
Country	3.19	0.91
Total	2.26	1.05



INDEPENDENT
PRICING AND
REGULATORY
TRIBUNAL

OF NEW SOUTH WALES



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REGULATORY TRIBUNAL, 1997



*To promote an
increasingly*

competitive

environment

through

price regulation

industry reviews

and ensuring

access to

infrastructure

facilities

*To provide an
acceptable balance*

between

competing claims

within the

new south wales

community

Financial Statements 1996/97

For the year ended 30 June 1997

The following financial statements are included:

- ❖ Auditor-General's opinion
- ❖ Statement by Chairman of the Independent Pricing and Regulatory Tribunal
- ❖ Operating statement
- ❖ Statement of financial position
- ❖ Statement of cash flows
- ❖ Summary of compliance with financial directions
- ❖ Notes to and forming part of the financial statements for the year ended 30 June 1997.



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES

To Members of the New South Wales Parliament and the Members of the Tribunal

Scope

I have audited the accounts of the Independent Pricing and Regulatory Tribunal of New South Wales for the year ended 30 June 1997. The preparation and presentation of the financial report, consisting of the accompanying statement of financial position, operating statement, statement of cash flows, and summary of compliance with financial directives together with the notes thereto and the information contained therein is the responsibility of the Members of the Tribunal. My responsibility is to express an opinion on these statements to Members of the New South Wales Parliament and the Members of the Tribunal based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983*. My responsibility does not extend here to an assessment of the assumptions used in formulating budget figures disclosed in the financial statements.

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

In addition, other legislative requirements which could have an impact on the Independent Pricing and Regulatory Tribunal of New South Wales' financial report have been reviewed on a cyclical basis. For this year, the requirements examined comprise: Chief Executive Service/Senior Executive Service remuneration; Payroll Tax on superannuation benefits; disaster recovery plans for computer installations and prompt payment of accounts.

These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the *Public Finance and Audit Act 1953*, Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) so as to present a view which is consistent with my understanding of the Tribunal's financial position and the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of the Independent Pricing and Regulatory Tribunal of New South Wales complies with sections 41B and 41BA of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Tribunal as at 30 June 1997 and the results of its operations and its cash flows for the year then ended.

P. G. THOMAS, ACA
ASSISTANT AUDITOR-GENERAL
(duly authorised by the Auditor-General of New South Wales
under section 41C(1A) of the Act)

SYDNEY
23 September 1997



I N D E P E N D E N T P R I C I N G A N D R E G U L A T O R Y T R I B U N A L
O F N E W S O U T H W A L E S

Statement by Chairman of the Independent Pricing
and Regulatory Tribunal

Pursuant to section 41C of the Public Finance and Audit Act 1983, I state that:

- a) the accompanying financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1953, the Financial Reporting Code for Budget Dependent Agencies, the Public Finance and Audit (General) Regulation 1995 (as applicable) and Treasurer's Directions;
- b) the statements exhibit a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal of New South Wales and transactions for the year then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Thomas G Parry
Chairman
22 September 1997

Financial Statements 1996/97 (cont)**OPERATING STATEMENT****FOR THE YEAR ENDED 30 JUNE 1997**

	Note	Actual 1997 \$'000	Budget 1997 \$'000	Actual 1996 \$'000
<i>Expenses</i>				
Operating Expenses:				
Employee Related	2(a)	2,466	2,656	1,784
Other Operating Expenses	2(b)	1,580	1,422	1,335
Maintenance	2(c)	18	0	8
Depreciation and Amortisation	2(d)	124	40	82
Other Services	2(e)	0	0	11
<i>Total Expenses</i>		4,188	4,118	3,220
Less:				
<i>Retained Revenue</i>				
Sale of Goods and Services	3(a)	442	0	28
Investment Income	3(b)	28	6	6
Other Revenue	3(c)	46	0	16
<i>Total Retained Revenue</i>		516	6	50
NET COST OF SERVICES		3,672	4,112	3,170
<i>Government Contributions</i>				
Recurrent Appropriation	4	3,970	3,962	3,072
Capital Appropriation	4	0	0	0
Acceptance by the Crown Transactions Entity of Employee Entitlements and Other Liabilities	5	190	110	81
<i>Total Government Contributions</i>		4,160	4,072	3,153
SURPLUS / (DEFICIT) FOR THE YEAR		488	-40	-17

[The accompanying notes form part of these statements]

Financial Statements 1996/97 (cont)**STATEMENT OF FINANCIAL POSITION****FOR THE YEAR ENDED 30 JUNE 1997**

	Note	Actual 1997 \$'000	Budget 1997 \$'000	Actual 1996 \$'000
<i>Current Assets</i>				
Cash	7	462	71	71
Receivables	8	266	62	62
<i>Total Current Assets</i>		728	133	133
<i>Non Current Assets</i>				
Property, Plant and Equipment	9	536	525	565
<i>Total Non Current Assets</i>		536	525	565
TOTAL ASSETS		1,264	658	698
<i>Current Liabilities</i>				
Accounts Payable	10	203	107	107
Employee Entitlements	11	251	223	223
Other	12	46	46	46
<i>Total Current Liabilities</i>		500	376	376
<i>Non - Current Liabilities</i>				
Other	12	167	213	213
<i>Total Non - Current Liabilities</i>		167	213	213
TOTAL LIABILITIES		667	589	589
NET ASSETS		597	69	109
EQUITY				
Accumulated Funds	13	597	69	109
TOTAL EQUITY		597	69	109

[The accompanying notes form part of these statements]

Financial Statements 1996/97 (cont)**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 JUNE 1997**

	Note	Actual 1997 \$'000	Budget 1997 \$'000	Actual 1996 \$'000
<i>Cash flow from Operating Activities</i>				
<i>Payments</i>				
Employee Related		-2,248	-2,546	-1,614
Other Operating Expenses		-1,502	-1,422	-1,407
Total Payments		-3,750	-3,968	-3,021
<i>Receipts</i>				
Sale of Goods and Services		249	0	29
Investment Income		17	6	10
Total Receipts		266	6	39
NET CASH FLOWS USED ON OPERATING ACTIVITIES	20	-3,484	-3,962	-2,982
<i>Cash Flow from Investing Activities</i>				
Purchase of Property, Plant and Equipment		-95	0	-256
NET CASH FLOWS USED ON INVESTING ACTIVITIES		-95	0	-256
<i>Cash Flow from Government</i>				
Recurrent Appropriation		3,970	3,962	3,072
Capital Appropriation		0	0	0
Net Cash provided by Government		3,970	3,962	3,072
NET INCREASE / (DECREASE) IN CASH		391	0	-166
Opening Cash and Cash Equivalents		71	71	237
CLOSING CASH AND CASH EQUIVALENTS	7,20	462	71	71

[The accompanying notes form part of these statements]

Financial Statements 1996/97 (cont)**SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES****FOR THE YEAR ENDED 30 JUNE 1997**

	Actual Appropriations		Estimated Expenditure	Actual Appropriations		Estimated Expenditure
	Original 1997 \$'000	Revised 1997 \$'000	1997 \$'000	Original 1996 \$'000	Revised 1996 \$'000	1996 \$'000
Recurrent Appropriations	3,962	3,970	3,970	2,953	3,072	3,072
	3,962	3,970	3,970	2,953	3,072	3,072
<i>Capital Appropriations</i>	0	0	0	0	0	0
	0	0	0	0	0	0
<i>Total Appropriations</i>	3,962	3,970	3,970	2,953	3,072	3,072

Notes to the Summary of Compliance with Financial Directions

- (a) The name and purpose of the program is summarised in Note 6.
- (b) In New South Wales, agencies are not required to separately record expenditure which are financed by the Consolidated Fund as distinct from expenditures financed by their own user charges. As a result, the department is not able to determine accurately the exact amount of their expenditures that are related to the Consolidated Fund. However, the amount of revised appropriations should approximate the actual expenditure to the Consolidated Fund.
- (c) Comments on material variation by programs: No material variation occurred during 1996/97.
- (d) Recurrent appropriations on the Summary of Compliance with Financial Directives are reconciled to the Operating Statement at Note 4.

Financial Statements 1996/97 (cont)**NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 1997****1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Reporting Entity**

The Independent Pricing and Regulatory Tribunal of New South Wales (hereafter referred to as the Tribunal) is a separate reporting entity. There are no entities under its control.

As the Tribunal is a single program entity, the financial operations disclosed in the Operating Statement and Statement of Financial Position are those of the Tribunal program. Accordingly, a separate supplementary program statement has not been prepared.

(b) Basis of Accounting

The Tribunal's financial statements are General Purpose Statements and have been prepared, on an accrual basis and in accordance with applicable Australian Accounting Standards, and the Urgent Issues Group Consensus Views, the requirements of the Public Finance and Audit Act and Regulations, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent Agencies or issued by the Treasurer under section 9(2)(n) of the Act. Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

Statements of Accounting Concepts are used as guidance in the absence of applicable Accounting Standards, Urgent Issue Groups Consensus Views and legislative requirements.

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies adopted are consistent with those of the previous year. Where necessary prior years amounts have been adjusted to provide meaningful comparative information.

(c) Administered Activities

The Tribunal does not administer any activities on behalf of the Crown Transactions Entity.

(d) Parliamentary Appropriations

Parliamentary Appropriations are recognised as revenues when the Tribunal obtains control over the assets comprising the appropriations. Controls over appropriations is normally obtained upon the receipt of cash.

Financial Statements 1996/97 (cont)**(e) Employee Entitlements****(i) Salaries, Annual Leave, Sick Leave and On-Costs**

Liabilities for salaries, annual leave and vesting sick leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

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 entitlements accrued in the future.

The outstanding amounts for payroll tax, workers' compensation insurance premiums and fringe benefit tax, which are consequential to employment are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

(ii) Long Service Leave and Superannuation

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

Long service leave is measured on nominal basis. The nominal method is based on remuneration rates of year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

The Superannuation expense for the financial year is determined by using 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.

(f) Insurance

The Tribunal's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(g) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Tribunal. Cost is determined as the fair value of the asset given as consideration plus the costs incidental to the acquisition.

Financial Statements 1996/97 (cont)

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

(h) Plant and Equipment

Items of Plant and Equipment costing \$5,000, and above individually are capitalised.

(i) Revaluation of Physical Non-Current Assets

As the Tribunal does not own Land, Buildings or Infrastructure assets, management considers it unnecessary to carry out a revaluation of physical non-current assets every five years, unless it becomes aware of any material difference in the carrying amount of any class of assets. It is considered by management that the written down value of its non current assets (computers, plant and equipment etc) would approximately equate to market value.

The recoverable amount test has not been applied as the Tribunal is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

(j) Depreciation of Non-Current Physical Assets

Depreciation is provided for on a straight line basis against all depreciable assets so as to write off the depreciable amount of each depreciable asset as it is consumed over its useful life to the Tribunal.

Depreciation Rates	% Rate
Computer equipment and software	25.000%
General Plant and Equipment	14.286%
Leasehold improvements over the lesser of the period of lease or the useful life of the improvements	

(k) Leases

Leasing transactions are operating leases of building and motor vehicles. Lease payments are recognised as expenses over the lease term.

Financial Statements 1996/97 (cont)**2 EXPENSES****2 (a) EMPLOYEE RELATED EXPENSES**

Employee Related Expenses comprise the following specific items:	1997 \$'000	1996 \$'000
- Salary and Wages	1,945	1,514
- Superannuation entitlements	109	59
- Long service leave	74	22
- Recreation leave	164	55
- Workers Compensation Insurance	12	12
- Payroll tax and fringe benefit tax	160	122
- Other	2	
	2,466	1,784

2 (b) OTHER OPERATING EXPENSES

Other Operating Expenses include:	1997 \$'000	1996 \$'000
- Auditor's Remuneration	8	5
- Rental expense relating to operating leases	225	241
- Insurance	5	13
- Consultancies	542	435
- Travel expenses	105	88
- Corporate services	34	34
- Other Operating Expenses	661	519
	1,580	1,335

2 (c) MAINTENANCE

Maintenance Charges comprise:	1997 \$'000	1996 \$'000
- Repairs and Routine Maintenance	18	8
	18	8

Financial Statements 1996/97 (cont)**2 (d) DEPRECIATION AND AMORTISATION**

Depreciation and Amortisation Expenses:	1997 \$'000	1996 \$'000
- Office Fitout and leasehold improvements	71	19
- Computer Equipment	44	57
- General Plant and Equipment	9	6
	124	82

2 (e) OTHER SERVICES

Other Expenses comprise:	1997 \$'000	1996 \$'000
- User Pays Seminars	0	11
	0	11

3 REVENUES

(a) Sale of Goods and Services:	1997 \$'000	1996 \$'000
- Seminars	28	26
- Provision of Tribunal Services	276	0
- Arbitration	121	0
- Other	17	2
	442	28

Following legislative amendments in 1996, the functions of the Tribunal were expanded to include the provision of advice and arbitration services of a fee for service basis. Provision of such services provided additional income for the Tribunal in 1996/97.

(b) Investment Income comprises:	1997 \$'000	1996 \$'000
- Interest	28	6
	28	6

Financial Statements 1996/97 (cont)

(c) Other Revenue comprises:	1997	1996
	\$'000	\$'000
- Lease Incentive Amortisation	46	15
- Other	0	1
	46	16

4 APPROPRIATIONS

Total appropriations comprise:	1997	1996
	\$'000	\$'000
<i>Recurrent</i>		
- Total recurrent appropriations (per Summary of Compliance)	3,970	3,072
- Less: Transfer payments	0	0
Recurrent appropriations (per Operating Statement)	3,970	3,072

5 ACCEPTANCE BY THE CROWN TRANSACTIONS ENTITY OF EMPLOYEE ENTITLEMENTS OTHER LIABILITIES

	1997	1996
	\$'000	\$'000
The following liabilities and/or expenses have been assumed by the Crown Transactions Entity		
- Superannuation	109	59
- Payroll Tax on Superannuation	7	0
- Long Service Leave	74	22
	190	81

6 PROGRAMS / ACTIVITIES OF THE TRIBUNAL**Program 1 - Pricing Regulation**

Objective: To provide an independent assessment of the pricing policies of major Government Trading Enterprises as well as other monopoly services and to lay down guidelines.

Financial Statements 1996/97 (cont)

7 CURRENT ASSETS - Cash

Cash comprises:	1997 \$'000	1996 \$'000
- Cash at Bank	461	70
- Cash on Hand	1	1
	462	71

8 CURRENT ASSETS - Receivable

Receivable comprise:	1997 \$'000	1996 \$'000
- Sundry Debtors (refer below)	253	60
Interest Receivable	13	2
	266	62

No Provision for Doubtful Debts has been provided as all Debts are considered collectable.

9 NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Movement	Office Fitout \$'000	Computer Equipment \$'000	Plant and Equipment \$'000	Leased Fitouts \$'000	Total 1997 \$'000	Total 1996 \$'000
<i>(i) At Cost</i>						
- Balance at 1 July	175	233	50	274	732	202
- Additions	18	72	5	0	95	530
- Disposals	0	0	0	0	0	0
<i>Balance at 30 June</i>	193	305	55	274	827	732
<i>(ii) Accumulated Depreciation</i>						
- Balance at 1 July	10	131	11	15	167	85
- Depreciation for the Year	25	44	9	46	124	82
- Writeback on Disposal	0	0	0	0	0	0
<i>Balance at 30 June</i>	35	175	20	61	291	167
<i>(iii) Written Down Value</i>						
<i>As At Beginning of Year</i>	165	102	39	259	565	117
<i>As At End of Year</i>	158	130	35	213	536	565

Financial Statements 1996/97 (cont)**10 CURRENT LIABILITIES - ACCOUNTS PAYABLE**

Current Liabilities - Creditors	1997	1996
	\$'000	\$'000
- Creditors	203	107
	203	107

11 CURRENT LIABILITIES - EMPLOYEE ENTITLEMENTS

Employee Entitlements comprises:	1997	1996
	\$'000	\$'000
- Recreation Leave	201	143
- Accrued Salaries and Wages	10	6
- Accrued Employee Related Payments	40	74
	251	223

Amount of Recreation Leave paid during the year has been charged directly to the Operating Statement.

12 CURRENT AND NON CURRENT LIABILITIES - OTHER

Current and Non Current Liabilities - Other comprises:	1997	1996
	\$'000	\$'000
<i>Less Incentive - Current</i>	46	46
<i>Less Incentive - Non Current</i>		
- Balance at 1 July	213	274
- Less Transfer to Current Liability - Other	-46	-46
- Less Transfer to Expenses - Depreciation and Amortisation	0	-15
	167	213

Financial Statements 1996/97 (cont)**13 CHANGES IN EQUITY**

Changes in Equity - movement	1997 \$'000	1996 \$'000
- Balance at the beginning of the financial year	109	126
- Surplus / (deficit) for the year	488	-17
<i>Balance at the end of the financial year</i>	597	109

14 COMMITMENTS**(a) Capital Commitments**

There were no capital commitments at balance date.

(b) Other Expenditure Commitments

There were no other expenditure commitments at balance date.

(c) Lease Commitments

Aggregate operating lease expenditure contracted for at balance data but not provided for in the accounts are:

Operating Lease Commitments	1997 \$'000	1996 \$'000
- Cancellable Operating Leases	0	0
- Non Cancellable Operating Leases	1,206	1,443
	1,206	1,443

Operating Lease Commitments Repayment Schedule	Non Cancellable Operating Leases	
	1997 \$'000	1996 \$'000
- Less than 1 year	249	243
- Between 1 and 2 years	261	243
- Between 2 and 5 years	696	783
- Greater than 5 years	0	174
	1,206	1,443

The above commitments are not recognised in the financial statements as liabilities.

Financial Statements 1996/97 (cont)**15 CONTINGENT LIABILITY**

Other than commitments mentioned elsewhere in these notes, the Tribunal is not aware of any contingent liabilities associated with its operations.

16 AMOUNTS WRITTEN OFF

No amounts due to the Tribunal were written off during 1997 (1996 nil).

17 MONIES HELD IN EXCESS OF 2 YEARS

No unclaimed amounts have been held in the accounts of the Tribunal in excess of two years. All amounts unclaimed are forwarded to the Treasury as Unclaimed Monies where they remain available for refund for a period of twenty years. No Unclaimed Monies were held by the Tribunal at 30 June 1997 (30 June 1996 nil).

18 BUDGET REVIEW**Net Cost of Services**

The actual net cost of services was lower than budget by \$440,000. This was primarily due to an increase in revenue for Provision of Tribunal Services \$276,000 and Arbitration \$121,000 not included in the original budget.

Assets and Liabilities

Current Assets are over Budget by \$595,000 principally as a result of increased revenue resulting in additional cash levels and receivables.

Cash Flows

An overall net increase in cash occurred as a result of the higher revenue levels.

19 CASH AND CASH EQUIVALENTS

For the purpose of the Cash Flow Statement, the Tribunal considers cash to include Cash on Hand and Cash at Bank. Total Cash at 30 June, 1997 as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position (Refer Note 7).

Financial Statements 1996/97 (cont)**20 RECONCILIATIONS OF NET COST OF SERVICE TO NET CASH FLOWS USED ON OPERATING ACTIVITIES**

Reconciliation of Net Cost of Services to Net Cash Flows Used on Operating Activities	1997 \$'000	1996 \$'000
<i>Net Cash used on operating activities</i>	-3,484	-2,982
- Acceptance by Crown Transactions Entity of employee liabilities	-190	-81
- Depreciation and Amortisation	-124	-82
- Net Loss / (gain) on disposal of sale of plant and equipment	0	0
- Decrease / (increase) in provisions	-58	-55
- Increase / (decrease) in other assets	0	274
- Increase / (decrease) in receivable	204	53
- Decrease / (increase) in creditors	-66	-38
- Decrease / (increase) in other liabilities	46	-259
<i>Net Cost of Services</i>	-3,672	-3,170

(END OF AUDITED FINANCIAL STATEMENTS)

Appendix 1 - Legislative Provisions

The Tribunal derives its powers from the Independent Pricing and Regulatory Tribunal Act 1992, the NSW Electricity Supply Act 1996, the Transport Administration Amendment (Rail Corporatisation and Restructuring) Act 1996 and the Gas Supply Act 1996. It also applies various industry Codes produced as a consequence of the Competition Principles Agreement to cover arrangements for third-party access to infrastructure assets.

Independent Pricing and Regulatory Tribunal Act 1992

This Act commenced in July 1992 as the Government Pricing Tribunal Act and was substantially amended and renamed in January 1996 as the Independent Pricing and Regulatory Tribunal Act.

The Tribunal has three major roles under this legislation:

- ❖ price regulation and pricing policy reviews of government monopoly services
- ❖ reviews of industry, pricing or competition
- ❖ registration and arbitration of access agreements.

Price regulation and pricing policy reviews of government monopoly services

Government monopoly services

The Tribunal's powers relate only to prices of government monopoly services supplied by NSW government agencies.

The prices of government services in competitive markets are not regulated by the Tribunal, nor is the Tribunal concerned with deciding State taxes.

The Tribunal has responsibility for setting prices only when the service has been declared by the Premier (as Minister responsible for the Act) to be a government monopoly service under Section 4 of the Act.

The criteria for declaring a monopoly service are:

- ❖ there are no other suppliers of the service to provide competition in that part of the market
- ❖ there is no potential competition in the short term in that part of the market.

Eight declarations are currently effective under Section 4 at 30 June 1997. They are:

- ❖ Government Pricing Tribunal (Passenger Transport Services) Order 1992, No 3 (Gazette No. 146, 18 December 1992, page 8893).
- ❖ Government Pricing Tribunal (Valuer-General's Services) Order 1993 (Gazette No. 89, 13 August 1993, page 4571).
- ❖ Government Pricing Tribunal (Electricity Services) Order 1993 (Gazette No. 124, 12 November 1993, page 6795).
- ❖ Government Pricing Tribunal (Local Water Authorities) Order 1994 (Gazette No. 99, 27 July 1994, page 3965).
- ❖ Government Pricing Tribunal (Waste Disposal Service) Order 1995 (Gazette No. 60, 19 May 1995, page 2466).
- ❖ Government Pricing Tribunal (Water Supply Schemes) Order 1995 (Gazette No. 60, 19 May 1995, page 2467).
- ❖ Certain services supplied by the Water Administration Ministerial Council 1995 (Gazette No. 122, 6 October 1995, page 7115).
- ❖ Independent Pricing and Regulatory Tribunal (Water, Sewerage and Drainage Services) Order 1997 (Gazette No 18, 14 February 1997, page 558).

Appendix 1 - Legislative Provisions (cont)

What the Tribunal can do

For *declared government monopoly services*, the Tribunal is empowered to:

- ❖ determine maximum prices (Sections 11(1a) and 12(1a)); and/or
- ❖ carry out a periodic review of pricing policies (Sections 11(1b) and 12(1b)).

There are two main ways in which the Tribunal's investigations can be initiated.

(a) Standing references

Schedule 1 of the Act lists a number of government agencies for which the Tribunal has a standing reference (see list below). Under Section 11 the Tribunal may initiate investigations of declared services supplied by standing reference agencies without reference to the Minister.

(b) References by the Premier

Under Section 12 of the Act the Premier may require the Tribunal to determine the maximum price or carry out a review of any declared service, including those supplied by standing reference agencies.

The terms of any reference by the Premier must be advertised, and the final terms of reference must be settled with the Premier following consideration of public comments.

The Tribunal may ask the Premier to make a particular reference under these provisions.

Standing reference agencies

The following government agencies are currently listed as standing references in Schedule 1 of the Act:

- ❖ Electricity Transmission Authority
- ❖ All NSW electricity distributors

- ❖ Sydney Water Corporation Limited
- ❖ Hunter Water Corporation Limited
- ❖ Water supply authorities constituted under the Water Supply Authorities Act 1987 including Gosford and Wyong Councils
- ❖ County councils established for the supply of water
- ❖ Administrators of the Fish River Water Supply*
- ❖ State Rail Authority
- ❖ State Transit Authority
- ❖ Roads and Traffic Authority*
- ❖ Department of Housing*
- ❖ Ports Corporations*

Even though an agency is on this list, *the Tribunal does not have authority to set prices or carry out a review until monopoly services supplied by the agency have been declared*. No declarations have been made for services supplied by the agencies marked with an asterisk (*).

Public participation and access to information

The Act contains a number of provisions to ensure that the Tribunal's activities are carried out through a public process. *The main requirement is that the Tribunal must hold at least one public hearing for each investigation.*

The Tribunal may seek public participation by:

- ❖ advertising public hearings (Section 21(3))
- ❖ seeking public comments on terms of reference (Section 13(2))
- ❖ providing public access to submissions (Section 22A(1))
- ❖ inviting public comment on issues and submissions
- ❖ holding public seminars and workshops (Section 21(2))

Appendix 1 - Legislative Provisions (cont)

- ❖ releasing reports and determinations to the public (Section 19(1))
- ❖ public reporting of compliance by agencies (Section 18(4)).

The general assumption of the legislation (Section 22A) is that the public will have access to information provided to the Tribunal for its investigations. That Section also extends the possibility of public access by allowing the Tribunal to approve the release of information that would not otherwise be available under the Freedom of Information Act, following consultation with the supplier of the information.

While most Tribunal activities are public, the Tribunal may direct that evidence be considered in private and may restrict access to confidential documents.

Matters to be considered by the Tribunal

Under Section 15 the Tribunal is required to consider a range of issues when making determinations and recommendations. The factors can be grouped as follows:

- ❖ 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
 - * impact of exercise of functions by some other body
 - * the need to promote competition[#]
- ❖ Financial stability
 - * rate of return on public sector 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, reliability and safety[#]

[#] added January 1996

Similar issues are to be considered when the Tribunal determines a methodology for fixing prices under Section 14A (see (b) below). For each investigation the Tribunal is required to report on what report it has had of each of these factors in making a determination or recommendation (Section 15(2)).

The Premier may also require the Tribunal to consider specific matters in its investigations (Section 13(a)).

How the Tribunal sets maximum prices

The Tribunal may fix maximum prices in either of two ways:

(a) Determining maximum prices

Maximum prices may be determined in any way the Tribunal considers appropriate (Section 14), including:

- ❖ setting specific prices for individual services
- ❖ increasing or decreasing prices for individual services or groups of services
- ❖ setting a rate of return on assets
- ❖ referring to the CPI.

(b) Establishing a methodology for determining maximum prices

If the Tribunal considers that it is impracticable to make a determination of maximum prices as in (a), it may determine under Section 14A a methodology to be used by the agency for fixing the maximum price. This provision was added during 1994/95.

Appendix 1 - Legislative Provisions (cont)

Implementation of maximum prices

The agencies concerned are *required to fix prices so that they do not exceed the maximum price* determined by the Tribunal (Section 18(1A)).

The approval of the Treasurer is needed if an agency wishes to charge a price below the maximum price (Section 18(2)).

Compliance

In their annual reports, all agencies subject to the Tribunal's determinations must report (Section 18(4)) on how they have implemented the maximum prices. Information must also be provided on whether Tribunal recommendations made in pricing policy reviews have been implemented, and reasons must be given for any non-implementation.

Release of reports and determinations

The Tribunal submits its reports to the Premier. Any determination must be published in the Gazette as soon as possible (Section 17). All reports must be made available for public inspection and sale, tabled in Parliament and placed in the Parliamentary Library (Section 19).

Reviews of industry, pricing or competition

Section 12A of the Act allows the Premier to require the Tribunal to undertake reviews of matters covering industry, pricing or competition.

In contrast to the review provisions of Sections 11 and 12, these reviews are not restricted to the operation of government monopoly services and can cover both government and private industry issues.

In carrying out reviews under Section 12A, the Tribunal is not required to specifically have regard to the various issues listed in Section 15 of the Act.

Registration of access agreements

Section 12B of the Act requires that the Tribunal be notified of access agreements that are being negotiated. The Tribunal may provide advice to the Premier on such agreements. The Tribunal is required to register all such agreements (Section 12D).

Arbitration of access disputes

If the access regime under which the agreement is being negotiated provides for the operation of Part 4A of the IPART Act, any disputes that occur are subject to arbitration by the Tribunal. Currently Part 4A applies to access to gas, rail and electricity infrastructure.

In carrying out these arbitration functions the Tribunal may appoint an arbitrator from a panel approved by the Premier¹ or may undertake the arbitration itself (Section 24B).

The Tribunal's arbitration activities follow the provisions of the Commercial Arbitration Act, supplemented by provisions of the IPART Act and any regulations made under Section 29 of that Act.

¹ For arbitration of access to gas distribution networks where the Tribunal appoints the panel.

Appendix 1 - Legislative Provisions (cont)

Gas Supply Act 1996

The Gas Supply Act 1996 was passed by Parliament during May 1996 and proclaimed from July 1996 onwards. It provided for the abolition of the Gas Council of NSW (from 12 July 1996), with economic and price regulation issues being the responsibility of the Independent Pricing and Regulatory Tribunal. The Tribunal is also to be responsible for arranging third party access to gas networks in NSW and for arbitrating access disputes.

The pricing and access provisions are mostly carried out under similar provisions to those of the Independent Pricing and Regulatory Tribunal and cover:

- ❖ gas pricing
- ❖ determination of undertaking for third-party access to gas networks
- ❖ registration of access agreements
- ❖ arbitration of access disputes.

Gas pricing orders

Under Section 27 the Tribunal may make gas pricing orders. The Tribunal's investigations are carried out under the provisions of Part 4 of the IPART Act, which includes a range of public processes, including advertisement of investigations, public hearings, public submissions and a restricted version of Section 22A of the IPART Act which provides for wider release of documents than under the Freedom of Information Act.

The gas supplier may apply for review of a pricing order after 12 months from the date of the order. Suppliers may request a review of pricing orders by a Review Panel appointed by the Minister for Energy.

Gas Access Undertakings

Under Section 31 the Minister for Energy may establish an Access Code relating to procedures for third-party access to gas distribution systems. The Minister may then, under Section 19, declare any national gas distribution system open for access by third parties.

The gas reticulator must, within 3 months of declaration, establish an undertaking (an access undertaking) providing information on how the system can be used by third parties.

Access undertakings must be approved by the Tribunal but only if they comply with the Access Code. If the Tribunal refuses to approve an access undertaking (full reasons must be given) the Tribunal can establish an access order pending the completion of an undertaking. The access order has the same effect as an undertaking and provides the conditions on which access will be given by the reticulator to third parties.

An access date when users are entitled to be granted access is gazetted by the Minister for Energy.

Registration of access arrangements

There are similar provisions for the registration of gas access arrangements as in Section 12D of the IPART Act.

Arbitration of access disputes

The Tribunal has powers of arbitration of gas access disputed under similar provisions to Part 4A of the IPART Act.

Appendix 2 - Tribunal meetings

During 1996/97, the Tribunal held 29 meetings and 14 public hearings comprising 15 sitting days. The Chairman and Mr Cox were present for all meetings. Due to ill health Ms McClintock was unable to attend any Tribunal meetings during this reporting year. Temporary members attended meetings on topics appropriate to their expertise.

Public hearings and submissions

Date	Investigation	Submissions
<i>Determinations</i>		
27 August 1996 Sydney	Electricity capital contributions	14
24 March 1997 Sydney	Public transport pricing	21
26 March 1997 Sydney	Sewerage backlog pricing	127
12 May 1997 Sydney	Review of electricity pricing	28
<i>Section 12 Reviews</i>		
6-14 March 1997 Sydney, Griffith, Moree, Dubbo	Bulk water review - Interim Report	76
<i>Section 12A Reviews</i>		
15-24 October 1996 Sydney, Dubbo, Coffs Harbour	Air services regulation	49
27 November 1996 Sydney	Review of pricing principles for Countrylink	57(a)
20 May 1997 Sydney	Air services review - Interim Report	33
<i>Gas access</i>		
14 & 21 October 1996 Sydney	AGL undertaking	49

(a) An additional 22 submissions were received commenting on the interim report of this review.

Appendix 3 - Publications

The Tribunal released the following publications during 1996/97.

Release date	Publication number	Title
Determinations		
Dec-96	1996/10	Pricing for Capital Contributions & Recoverable Works
May-97	1997/1&2	Public Transport Fares from 29 June 1997 CityRail & STA Buses & Ferries
June-97	1997/3	Sydney Water Corporation Prices for Miscellaneous Customer Services
Review reports		
Sept-96	1996/8	Pricing Principles for Local Water Authorities
Feb-97	1997/1	Review of Regulation & Licensing of Air Service Operators in NSW An Interim Report
Feb-97	1997/2	Review of Pricing Principles for Countrylink An Interim Report
July-97	1997/3	Review of Regulation & Licensing of Air Service Operators in NSW - Report
Gas reports		
Sept-96	1996/1	Draft Determination on the Proposed Access Undertaking of AGL Gas Companies (NSW) Ltd
Nov-96	1996/2	Access to the Distribution Network of AGL Gas Companies (NSW) Ltd : A Progress Report from the Secretariat
May-97	1997/1	Draft Determination on the Proposed Access Undertaking (as varied) of AGL Gas Networks Ltd
July-97	1997/2	AGL Gas Networks Limited Access Undertaking (as varied) Determination

Appendix 3 - Publications (cont)**Discussion papers**

Jul-96	DP16	Review of Regulation & Licensing of Air Service Operators in NSW – An Issues Paper
Sept-96	DP18	Review of Pricing Principles for Countrylink
Jan-97	DP19	Pricing of Backlog Sewerage – An Issues Paper
Mar-97	DP20	Electricity Services Review of 1996/97 Determinations & Other Issues – An Information Paper
Apr-97	DP21	Benchmarking Local Government Performance in NSW – An Issues Paper
July-97	DP22	Draft Determination Bulk Water Prices to apply from 1 July 1997

Research papers

Oct-96	RP6	Fares and Ticketing Policies and Practices: International Review
Oct-96	RP7	Estimation of Public Transport Fare Elasticities in the Sydney Region
Dec-96	RP8	Survey of Water, Electricity, Gas and Public Transport Usage

Other papers

Sept-96	OP1	NSW Energy Network Access : A Guide
Nov-96	AR95-96	Annual Report 1995/96
Jan-97	Notes	Procedures and Practice Notes for Arbitration of Disputes over Access to Monopoly Infrastructure
Jan-97	OP2	Electricity Prices – An Information Paper
Feb-97	CP96	IPART Corporate Plan 1996-1998
May-97	OP3	Guidelines for the Treatment of Embedded Generation

Most of the above publications can now be viewed and downloaded from the Tribunal's website (www.ipart.nsw.gov.au).

Appendix 4 – Staffing and consultants

Staffing and equal opportunity statistics

For several years the Premier's Department has provided personnel support services to the Tribunal. While having regard to special factors that may affect an organisation with a small number of staff, the Tribunal has adopted the Premier's Department's EEO policy for its use.

EEO Statistics - Total Staff by Level and Employment Basis at 30 June 1997(a)

	Total Staff	Men	Women	Aboriginal & Torres Strait Islander People	People from Racial, Ethnic, Ethno-Religious Minority Groups	People Whose Language First Spoken as a Child was not English
	No.	%	%	%	%	%
<\$21,995	..	..	..	..	..	..
\$21,995 - \$32,295	1	..	3	..	..	..
\$32,296 - \$40,869	1	..	3	..	..	..
\$40,870 - 52,850	11	12	22	..	6	6
> \$52,851 (non executive)	14	28	16	..	16	16
Contract Executive and Statutory Appointments	5	16	..	..	..	..
Permanent(b)						
Full Time	25	40	38	..	22	22
PartTime	2	..	6	..	..	..
Contract Executive and Statutory Appointments	5	16	..	..	..	..
TOTAL(c)	32	56	44	..	22	22

- (a) The table only covers items with information relevant to Tribunal staff.
- (b) There are no temporary, casual or other staff.
- (c) Total staff numbers at 30 June 1996 - 23.
Total staff numbers at 30 June 1995 - 19.

Appendix 4 – Staffing and consultants (cont)**Senior Executive profile**

All executive staff are employed under contract by the Tribunal under Section 8(2) of the Independent Pricing and Regulatory Tribunal Act. They are not formally members of the NSW Senior Executive Service (SES). Conditions of employment are similar to SES conditions, and remuneration has regard to determinations by the Statutory and Other Offices Remuneration Tribunal.

Three executive positions were filled at the end of the current financial year, none of which was at the level which requires an individual performance report to be shown in annual reports. A woman filled none of these positions.

Code of conduct

During the year a minor amendment was made to the Tribunal's Code of Conduct to clarify the role of staff working on Tribunal reports which are not subject to the control or direction of any Minister.

Corporate Plan

A revised Corporate Plan, which covers the expanded role of the Independent Pricing and Regulatory Tribunal, was completed and released during the year. The main components of the plan were included in last year's Annual Report and the key elements are shown at the beginning of this report.

Consultants

Total expenditure from Tribunal funds on consultants during 1996/97 was \$542,000, of which \$78,400 was for consultancies that were reimbursed by parties to access arbitration and \$19,600 for assistance with price regulation which was reimbursed by the ACT government.

In total the Tribunal engaged 21 consultants during 1996/97 for values less than \$30,000. Four consultancies had a value exceeding \$30,000;

- ❖ Greenwood Challoner Aim Pty Ltd - issues relating to access to the AGL gas distribution network; total cost \$90,000;
- ❖ Stewart Joy and Associates - advisory services to rail arbitration - total cost \$78,400 (cost recovered from parties to the arbitration);
- ❖ Gutteridge, Haskins and Davey Pty Ltd - review of asset management processes of the Department of Land and Water Conservation - \$41,000;
- ❖ McKinsey and Company - review of the Tribunal's operating and regulatory procedures \$98,500 (consultancy commenced 25 June 1997).

Appendix 5 – Other Issues

Tribunal Executive Meetings

The Tribunal's Executive, consisting of the Chairman; Full-time Member; General Manager, Secretariat; Chief Manager, Water and Transport; and the Chief Manager, Energy and other industries, and all Program Managers met regularly at approximately two week intervals throughout the year. The Executive Meetings reviewed the current work program of the Secretariat and ensured that the Tribunal was adequately briefed on all relevant issues.

External liaison

Details of a range of working groups and forums which facilitate communication with external bodies are shown in the main part of the report.

Overseas visits

The Chairman, Dr Parry visited a number of Agencies in United Kingdom and America and held discussions on third party access to monopoly owned infrastructures.

Following an invitation by the World Bank, Mr Jim Cox, full-time member of the Tribunal, visited Kampala in June 1997 to advise the Ugandan government on the development of a regulatory pricing regime. The cost of the visit was met by the Ugandan government.

Mr Colin Reid, Chief Manager, Water and Transport, and Mr Eric Groom, Chief Manager, Energy and other industries attended the International Training Program on Utility Regulation and Strategy at the University of Florida, US. The Program was arranged by the Public Utility Research Centre at the University of Florida and the World Bank and was attended by representatives of price regulation authorities from several countries. During their visits Mr Groom and Mr Reid also had discussions with some US utilities and regulators.

Mr Scott Young, Program Manager, Gas, met with various regulatory bodies and representatives of key industry participants in the Canadian energy industry during a privately funded trip in November and December 1996.

External presentations

During the year the following external presentations on the role and work of the Tribunal were made by the Tribunal Chairman and Secretariat staff.

Dr Thomas G Parry

The Way Forward, National Competition Policy Forum, Business Council of Australia, July 1996

Economic Regulation, Water Services of Australia Presentation to Managing Directors, August 1996

Access Pricing Appropriate Models, Trade Practices Workshop, August 1996

The Regulators View, KPMG Seminar on Pricing and Infrastructure Issues, September 1996

Key Note Address, Developer Charges Seminar, February 1997

Opportunities within NSW Liberalised Power Market, IBC Conference, March 1997

Economic Regulation: The Monopoly Network – The Need for a Single Approach, ESAA Conference, June 1997

Mr Eric Groom

Regulation of Network Prices in NSW, ACCC Seminar on Network Pricing, July 1996

Competition and Regulation in Electricity, NSW Economic Society Seminar, August 1996

Electricity Regulation in NSW, ACM Customer Seminar, August 1996

NSW Gas Access Regime, Australian Gas Association Conference, September 1996

Appendix 5 – Other Issues (cont)

Network Pricing and Embedded Generation, Cogeneration Conference, November 1996

Competitive Electricity Markets and the Environment: the NSW Experience, Seminar for US Energy and Environmental Agencies, January 1997

Electricity Regulation in NSW, ESAA Summer Schools, February 1997

Regulation and Cogeneration: the approach in NSW, Australian Cogeneration Association Conference, February 1997

Implications for Regulation of the Multi-utility, Multi-utility Conference, April 1997

Electricity Regulation in NSW, Queensland Electricity Industry Conference, May 1997

Mr Colin Reid

Pricing Principles for Local Water Authorities, Local Government and Shires Association, August 1996

Asset valuation, ACT Division of Australian Society of CPAs, November 1996

Price Regulation in the Water Industry, Financial Institutions Reform and Expansion Unit, June 1997

Mr Scott Young

Marketing in the Deregulated Gas Market, Australian Gas Association Southern Regional Conference, November 1996

Ms Nives Matosin

Pricing regulation in the new electricity market, Australian Chamber of Manufacturers and Electricity Reform Taskforce Conference: Negotiating a better electricity deal, 18 March 1997

Regulatory Aspects of the New Electricity Market, NSW Retail Electricity Market Seminar, Electricity Association of NSW, March 1997

Role of IPART in the electricity market, Property Council of Australia Seminar: Progress on Electricity Reform, June 1997

Ms Fiona Towers

Benchmarking and Local Government, Local Government Auditors Association Annual Conference, June 1997

Review of Local Government Benchmarking Practices, NSW Public Libraries Evaluation Group, June 1997

Mr Colin Reid and Ms Elsie Choy (Joint presentation)

Asset Valuation for Pricing Purposes, Public Sector Accounting Convention, Australian Society of Certified Practising Accountants, November 1996. and ASCPA Public Sector Accounting Centre of Excellence, March 1996

This paper was prepared as a joint project between the Tribunal's Secretariat (Ms Elsie Choy) and the Australian Society of Certified Practising Accountants.

Paper on NSW Access Issues published in the AGA Monthly Journal, August 1996

Computing facilities

The computing needs of the Tribunal's Secretariat are provided by a Novell 4.1. network, with Pentium PC's for all Secretariat staff members. These computing facilities are used extensively by the Secretariat's specialist staff for financial analysis and modelling and for the preparation of reports with limited clerical support.

During the year the network was upgraded to include a Lotus Domino server for email and

Appendix 5 – Other Issues (cont)

Notes databases and user software was upgraded to Windows 95 and Office 97.

An intranet based on the Tribunal's Website with access to comprehensive information about the Tribunal, current timetables and access to copies of all publications is available for staff use.

An integrated database (ASSIST) manages the Tribunal's mailing lists and submissions registers. As well as providing search and mailing facilities, the system stores images of all major documents and submissions, which can be retrieved and read by all staff on their PCs.

Complaints

The Tribunal receives letters from time to time that comment critically on determinations made by the Tribunal. These representations are acknowledged and, where appropriate, are registered as submissions to the relevant investigation.

A representation was received that the Tribunal had not held hearings in the south eastern region of the State to provide opportunities for local input to Tribunal investigations, especially on public transport issues.

Other representations are made to the Tribunal from time to time concerning pricing practices or activities of the government agencies that it regulates. As appropriate, these representations are referred to the relevant agencies.

Details of annual report production

One thousand, three hundred copies of this report have been printed at an average cost of \$11.23 per copy. Extra copies may be purchased from the NSW Government Information Service Bookshop.

Risk management and insurance

Comprehensive coverage for workers' compensation, motor vehicle, property and liability insurance is provided through the NSW Treasury Managed Fund. The major risks are those relating to motor vehicle damage.

Exposure to theft of property is limited by the installation of a security access system for the Tribunal's office accommodation. This controls access to the Tribunal's work areas during the day and provides security outside office hours. This system also provides security for sensitive business and financial information provided by Tribunal respondents.

Duplexed server disk facilities, daily back-up, offsite tape storage and uninterruptable power supply are used to reduce risks arising from computer system breakdowns.

Report on account payment performance

Accounting services are outsourced through the Central Corporate Services Unit (CCSU) operated by the Department of Public Works and Services. Other than a small number of accounts which needed to be queried, all accounts were sent for payment without delay. While the Tribunal keeps records of accounts sent for payment, it relies on the CCSU to pay accounts promptly.

Appendix 5 – Other Issues (cont)

Ethnic Affairs Priorities Statement

As required by the Ethnic Affairs Commission Act, an Ethnic Affairs Priorities Statement is being prepared detailing the steps which the Tribunal will take to implement the principles of cultural diversity.

The Tribunal recognises that a major element of its operations is transparency of its processes and participation of special interest groups. These groups include environmental, welfare, industry and consumer interests.

This participation is facilitated by advertisements of the Tribunal's investigations in major newspapers, with requests for public submissions. Public hearings are held for all inquiries. Reports containing details of the Tribunal's discussions are distributed widely.

Despite such publicity there has been limited participation in the Tribunal's processes by individuals from the ethnic population.

The Tribunal is therefore implementing a strategy to provide general information about the Tribunal's to appropriate ethnic organisations so that they are in a better position to choose to participate in the Tribunal's processes.

This will be achieved firstly by the preparation of brochures in leading ethnic languages giving general information about the Tribunal's role. Secondly, more detailed information about the Tribunal's operations will be given to appropriate ethnic organisations through special briefings to give them information to help them to participate in the Tribunal's public processes if they wish.

Interested organisations will also be added to the Tribunal's mailing lists to ensure that they are aware of our activities

Appendix 6 – Freedom of Information – Statement of Affairs

Under the Freedom of Information Act 1989, every NSW government department or agency is required to publish an annual statement of affairs. The statement describes the structure and functions of the agency and lists categories of documents that are held by the agency.

The structure and functions of the Independent Pricing and Regulatory Tribunal of NSW are described in detail in the main section of this annual report.

Effect of the agency's functions on members of the public

The determinations of the Tribunal affect most members of the public in NSW, both directly and indirectly, through prices charged for government monopoly services, especially for electricity, water and public transport fares.

The Tribunal has undertaken a rolling program of reviews of pricing policies for the major monopoly services as follows:

- ❖ Water, sewerage and drainage.
- ❖ Electricity services - interim report.
- ❖ Public transport (CityRail and STA bus and ferry services).

Medium term price paths have been set for electricity services (March 1996) and for urban water services (June 1996).

The Tribunal also conducts investigations which are referred to it by the Premier under Sections 12 and 12A of the Independent Pricing and Regulatory Tribunal Act. At 30 June 1997 the Tribunal was undertaking a review and determination of the pricing of rural bulk water

services and a review of the benchmarking of local government services.

Arrangements for public participation in policy formulation

The IPART Act requires considerable public participation during the Tribunal's investigation processes. Public hearings are held and public submissions invited for every investigation. The hearings are advertised several weeks ahead. Public comment is sought on the terms of reference for some inquiries.

Public hearings are informal and witnesses are invited by the Tribunal to participate. Transcripts are made and are available for public inspection and/or purchase.

Reports and price determinations are sent directly to the Premier. These determinations must be gazetted as soon as practicable, tabled in Parliament within five sitting days, and sent to the Parliamentary Library.

Similarly, copies of the reports are made available promptly for public inspection at the Tribunal's offices during ordinary hours of business, and are sent free of charge to those registered on the Tribunal's mailing list for the investigation. Copies of all reports may be purchased through the Government Information Service.

During 1997 the Tribunal launched an Internet website (www.ipart.nsw.gov.au) which provides a wide range of information about the Tribunal and its current timetables. The website also provides access to all recent adverts, media releases, publications and submissions to Tribunal investigations.

Appendix 6 - Freedom of Information – Statement of Affairs (cont)

Provisions of the Independent Pricing and Regulatory Tribunal Act affecting FOI requests

Section 22A of the Independent Pricing and Regulatory Tribunal Act 1992 contains provisions for the Tribunal to review the release of information that would otherwise be exempt from release under the Freedom of Information Act. After having regard to the views of the information supplier the Tribunal may agree to the release of information, in full or in part, on a general or restricted basis.

Description of the kinds of documents held by the Tribunal

Submissions to Tribunal inquiries

The Tribunal has established a public access library, which contains copies of all submissions to its investigations and reviews (excepting those where the authors claim that public release might expose them to commercial disadvantage and where the Tribunal has given directions prohibiting release under Section 21(5)(b) of Independent Pricing and Regulatory Tribunal Act 1992). The library contains transcripts of public hearings, and reports and determinations. Minutes of meetings of the Tribunal are included.

Copies of recent submissions and hearing transcripts can now also be viewed at the Tribunal's website.

Publications issued

The Tribunal publishes discussion and research papers, background papers on price determinations and reports of pricing reviews. Details of these documents and their costs are shown in Appendix 6 of this report.

All documents are available for purchase at the NSW Government Information Service, Goodsell Building, Chifley Square, Sydney and 130 George Street, Parramatta.

Copies of recent publications can now also be viewed at the Tribunal's website.

Hard copy files

The Tribunal maintains a general filing system for internal management purposes. It has four sections:

- ❖ General and administrative files (grey cover).
- ❖ Agency files (grey cover) relating to liaison with standing reference agencies and other organisations that have regular contact with the Tribunal.
- ❖ Agency and personal files (red cover) containing information where the agency or organisation concerned has claimed that public release might expose them to commercial disadvantage, and any other personal or confidential information.
- ❖ Inquiry and determination files (grey cover) containing documents and correspondence relating to specific Tribunal investigations.

Tribunal papers

The Tribunal prepares agendas, minutes and other papers in for its meetings.

Access arrangements

Copies of all documents in the Tribunal's public access library are available for public inspection at the Tribunal's offices, Level 2, 44 Market Street, Sydney 2000, from 9.00 am to 5.00 pm Monday to Friday (inquiries (02) 9290 8400). Some documents (notably transcripts of public hearings) may also be purchased on disk.

Appendix 6 - Freedom of Information – Statement of Affairs (cont)

FOI procedures

For access to Independent Pricing and Regulatory Tribunal documents other than those identified above as available, application must be made in writing under the Freedom of Information Act.

Since many documents are readily accessible through the Tribunal's public access arrangements and the Tribunal's website, it is advisable to check the general availability of the document before making an application under the Freedom of Information Act.

FOI applications must be accompanied by a \$30 application fee and directed to:

The FOI Co-ordinator
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
Sydney NSW 1230

Arrangements to inspect or obtain copies of documents can be made by contacting the FOI Co-ordinator.

Telephone inquiries: (02) 9290 8484

FOI requests in 1996/97

During the year, one request was made to the Independent Pricing and Regulatory Tribunal for access to documents under the Freedom of Information Act. That request was met under the terms of Section 22A of the Independent Pricing and Regulatory Tribunal Act after reference to the agency which supplied the information to the Tribunal.

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