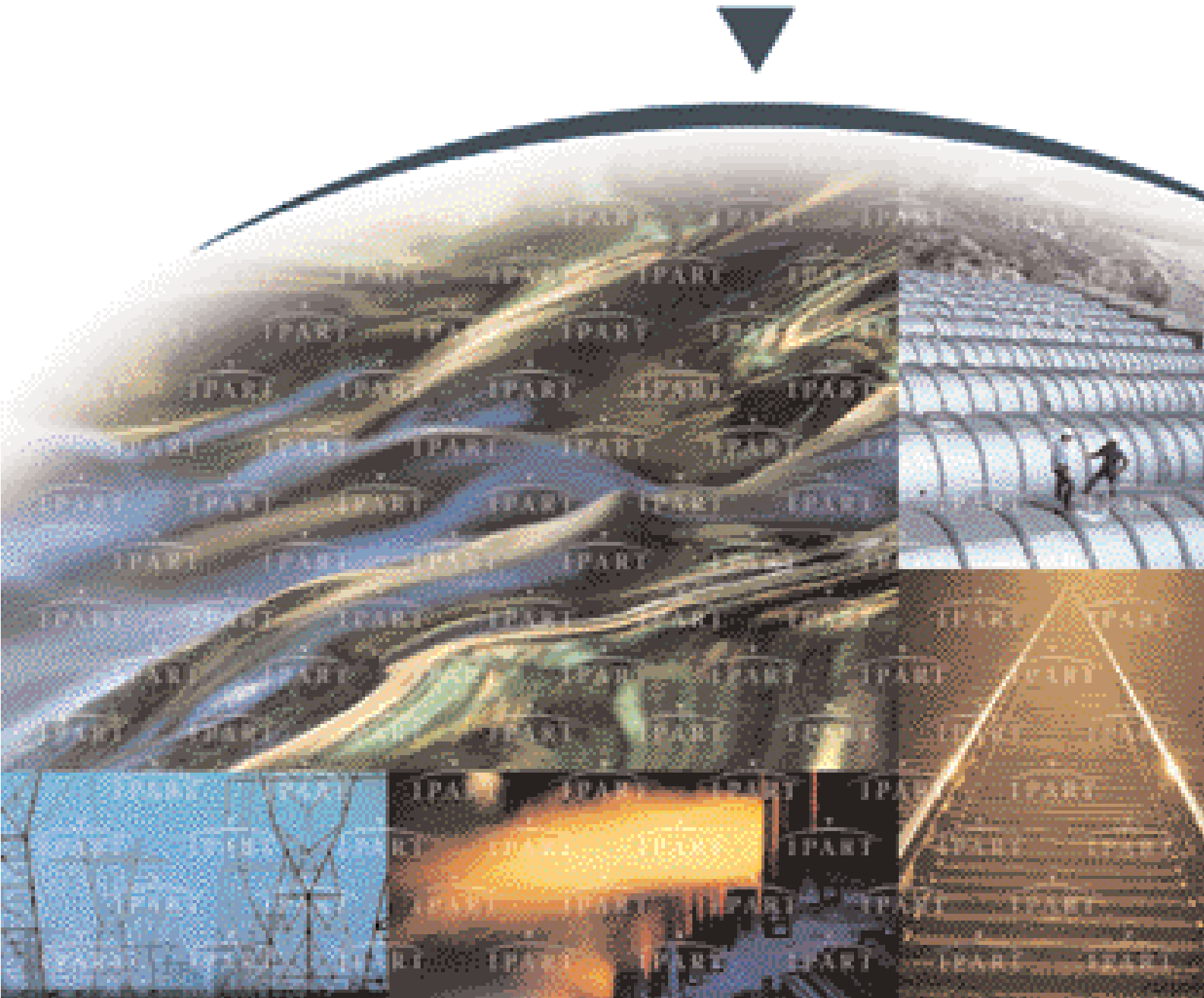




**INDEPENDENT PRICING
AND REGULATORY TRIBUNAL
of New South Wales**

ANNUAL REPORT 2000/2001





INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

31 October 2001

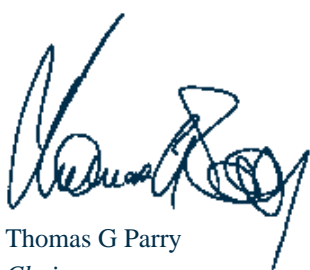
The Hon Bob Carr MP
Premier of NSW
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Premier

INDEPENDENT PRICING AND REGULATORY TRIBUNAL
ANNUAL REPORT 2000/2001

As required by the Annual Reports (Statutory Bodies Act) 1984, we are pleased to submit the annual report of the Independent Pricing and Regulatory Tribunal for the year ended 30 June 2001.

Yours sincerely,



Thomas G Parry
Chairman



James Cox
Member

Contents

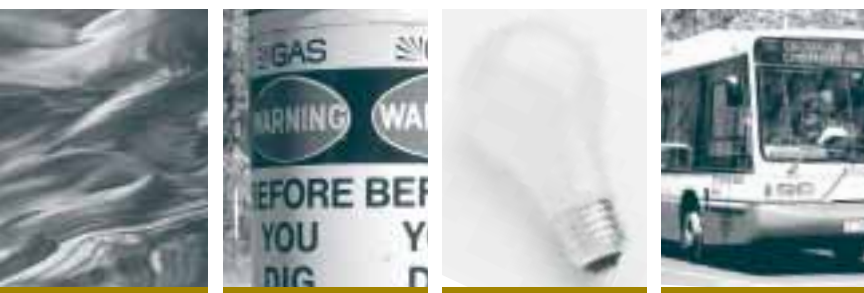
IPART Annual Report 2000/2001

<i>What We Do...</i>	page 2
<i>Principal Achievements of IPART in 1999/2000</i>	2
<i>Corporate Plan</i>	3
<i>Chairman's Report</i>	4
<i>IPART Members</i>	5
<i>IPART's Secretariat</i>	6
<i>IPART's Organisational Structure</i>	7
<i>2000/2001 Work Program</i>	8
<i>Corporate Objectives</i>	9
1. <i>To Reach a Reasonable and Balanced Answer</i>	10
2. <i>To Demonstrate a Fair and Open Process</i>	12
3. <i>To Apply a Rigorous and Credible Approach to our Work</i>	15
4. <i>To Manage Resources Efficiently and Effectively</i>	18
<i>Impacts of IPART Determinations</i>	20
<i>Future Directions – Added Responsibilities</i>	24
2000/2001 Financial Statements	25
<i>Independent Audit Report</i>	26
<i>Statement on behalf of the Independent Pricing and Regulatory Tribunal</i>	27
<i>Statement of Financial Performance</i>	28
<i>Statement of Financial Position</i>	29
<i>Statement of Cash Flows</i>	30
<i>Program Statement – Expenses and Revenues</i>	31
<i>Summary of Compliance with Financial Directives</i>	32
<i>Notes accompanying and forming part of the Financial Statements</i>	33
<i>Appendices</i>	44
<i>Appendix 1: Legislative Provisions</i>	45
<i>Appendix 2: Public Hearings and Submissions</i>	49
<i>Appendix 3: Publications</i>	50
<i>Appendix 4: Staffing and Consultants</i>	52
<i>Appendix 5: Other Issues</i>	55
<i>Appendix 6: Freedom of Information Act – Statement of Affairs</i>	58
<i>Appendix 7: Key Performance Indicators</i>	59
<i>Index</i>	60

What we do...

Independent Pricing and Regulatory Tribunal of New South Wales

IPART is an independent body that oversees regulation in the water, gas, electricity and public transport industries in NSW. When it was established by the NSW government in 1992, its primary purpose was to regulate the maximum prices charged for monopoly services by government utilities and other monopoly businesses. Since then, its responsibilities have increased significantly.



IPART now has six core functions, which are conferred by legislation and codes and access regimes established by legislation¹. These functions are to:

- ▼ set maximum prices for monopoly services provided by government agencies in NSW (including water and public transport);
- ▼ regulate revenues or prices of electricity networks under the National Electricity Code and electricity legislation;
- ▼ regulate natural gas pricing and third party access to gas networks;
- ▼ administer licensing or authorisation of water, electricity and gas businesses, and monitor compliance with licence conditions;
- ▼ register agreements for access to public infrastructure assets and arbitrate disputes about these agreements; and
- ▼ investigate complaints about competitive neutrality referred by the Government.

In addition, IPART can be asked to:

- ▼ advise the NSW Government or its agencies on issues such as pricing, efficiency, industry structure and competition;
- ▼ assist other Australian regulators and government bodies on a fee for service basis.

Recently added licensing responsibilities mean that for the first time, IPART will provide an integrated system of economic regulation and licence regulation in NSW that covers both pricing for water, electricity network and gas industries and standards of service for water and gas.

Purpose and Goals

IPART's specific purpose varies according to the different regulatory arrangements in the industries it regulates. However, in general, its goals are to:

- ▼ regulate monopoly utility prices;
- ▼ promote competition (or simulate its effects) in regulated industries;
- ▼ protect consumers by ensuring the quality and reliability of regulated services and by considering the social impacts of its decisions;
- ▼ ensure utilities comply with license obligations;
- ▼ encourage economic efficiency and reinvestment in infrastructure;
- ▼ encourage environmental sustainability;
- ▼ promote a stable regulatory environment; and
- ▼ investigate complaints about competitive neutrality referred by the Government.

The legislation under which IPART is constituted² stipulates that in relation to the content of its determinations and recommendations, it is not subject to the control or direction of any government minister. This provision ensures that IPART is able to pursue these goals through rational, objective processes and that its decisions are not influenced by political interests.

In addition IPART regulates access prices for electricity and gas networks under the National Electricity Code and the National Gas Code.

Principal Achievements of IPART in 2000/2001

Electricity

- ▼ Assumed responsibility for advising the Minister on licensing, for monitoring compliance and for taking action on non-compliance.
- ▼ Review of economic regulation for Distribution Network Service Providers under the National Electricity Code (commenced).
- ▼ Draft guidelines for "ring fencing" or separation of regulated network services from competitive services.
- ▼ Compliance monitoring of prices and licences.
- ▼ Demand management/energy efficiency review under Section 12 A of the IPART Act (commenced).

¹ These include the Independent Pricing and Regulatory Tribunal Act 1992, the Gas Supply Act 1996, the Electricity Supply Act 1995, the National Electricity (NSW) Law 1997 and the Transport Administration Act 1996.

² The Independent Pricing and Regulatory Tribunal Act 1992

- ▼ Review of the electricity and gas licensing regimes (commenced).
- ▼ Regulated retail prices for electricity for consumers with an annual bill of more than \$16,000.
- ▼ Assistance to the Northern Territory Government on regulatory arrangements in the electricity industry.

Gas

- ▼ Assumed licensing responsibilities.
- ▼ Review of pricing of natural gas to tariff customers served by the AGL gas network in NSW (commenced).
- ▼ Review of pricing of natural gas to tariff customers in Wagga Wagga and Albury and other parts of NSW.
- ▼ Assistance to the Independent Competition and Regulatory Commission of the ACT on access arrangements for gas supply in the ACT.
- ▼ Access arrangement for AGLGN.

Transport

- ▼ Public transport fares for CityRail and State Transit Authority.
- ▼ Valuation of Rail Infrastructure Corporation's assets for use in pricing rail services for Hunter Valley Coal.
- ▼ Report on subsidies and the social costs and benefits of public transport.
- ▼ Assistance to the Independent Competition and Regulatory Commission of the ACT in setting taxi fares.
- ▼ Review of taxi, private bus and private ferry fares for the Minister of Transport (commenced).

Water

- ▼ Assumed licensing responsibilities.
- ▼ Recommendations on system performance standards under the terms and conditions of the operating licences for Sydney Water Corporation.
- ▼ Pricing of water, sewerage and stormwater services for Sydney Water Corporation.
- ▼ Prices for the provision of bulk water services by the Department of Land and Water Conservation.
- ▼ Customer Council consultation measures and customer service measures in consultation with Sydney Water Corporation .
- ▼ Recommendations on Sydney Water customer performance indicators to the Government .
- ▼ Audit of compliance with operating licences by Sydney Water Corporation, Sydney Catchment Authority and Hunter Water Corporation (commenced).
- ▼ Review of Hunter Water Corporation's operating licence (commenced).
- ▼ Review of Sydney Water's customer contract (commenced).

Our Corporate Plan

Mission

Based on the functions and goals outlined previously, and its appreciation of the economic value it impacts, IPART sees its mission as:

to deliver economic, social and environmental benefits to the NSW community through regulation that:

- ▼ is fair and rational;
- ▼ is open and transparent;
- ▼ balances the competing interests of stakeholders;
- ▼ promotes an increasingly competitive environment; and
- ▼ promotes access to infrastructure facilities.

Vision

In pursuing this mission, IPART's vision is:

to be at the forefront of regulation globally, and be respected by key stakeholders for the quality and impartiality of our decisions and the independence, efficiency and effectiveness of our decision-making and advisory processes and practices.

Corporate Values

In pursuing its mission and vision, IPART is guided by a set of principles based on its philosophy of regulation and understanding of best practice in regulation:

- ▼ Maintain strict independence of decision-making from Government and all other stakeholders.
- ▼ Ensure the entire regulatory and licensing processes are transparent.
- ▼ Encourage competition and minimise the need for regulation wherever possible.
- ▼ Consult widely and effectively with all stakeholders.
- ▼ Use incentive-based regulation to encourage better services, innovation and efficiency.
- ▼ Seek equitable outcomes by balancing the interests of the regulated entity, its customers and other stakeholders.
- ▼ Aim for pragmatic outcomes, that can be achieved without significant operational difficulties.
- ▼ Ensure processes are predictable and consistent.
- ▼ Adhere to the highest professional standards.
- ▼ Use resources as effectively and efficiently as possible.



Independent Pricing and Regulatory Tribunal
of New South Wales

Chairman's Report

Independent Pricing and Regulatory Tribunal of New South Wales

Writing the Chairman's Report provides an opportunity both to look forward, anticipating future challenges, as well to look back, reflecting on past achievements and lessons. Looking forward to January 2002, we will mark (and some may celebrate) the tenth anniversary of the Tribunal in its various forms.

The Tribunal operated for six months as the *Provisional Prices Tribunal* and then the *Government Pricing Tribunal* until 1995. Our role was focussed on regulating the prices of Government-owned businesses in electricity, urban water and public passenger transport. Our philosophy was "efficient costs and efficient prices". Looking ahead, and recognising the increased diversity and complexity of our tasks, perhaps our philosophy must increasingly also reflect "efficient and effective regulation".

...the introduction of full retail contestability in electricity and gas presents yet another new challenge for the Tribunal.

Thomas Parry, IPART Chairman

Since 1995, the Government Pricing Tribunal (now IPART) has had a rapidly increasing number and diversity of roles. We no longer just regulate Government-owned businesses and we are no longer just a price regulator. Arguably the most dramatic shift in our role in the past ten years occurred this year with IPART taking over the licensing and licence compliance functions previously administered by the Ministry of Energy and Utilities (MEU). There has been a steep learning curve for the Tribunal and its Secretariat. We have been greatly assisted by those staff who have joined us from the Ministry and by the support and co-operation of the MEU with which we enjoy a very effective working relationship.

These new licence regulation functions have been most rapidly implemented in the water sector, where the Tribunal has recommended new operating licences for both Sydney Water Corporation (SWC) and the Sydney Catchment Authority. We also have recommended to the Minister improved system performance standards for Sydney Water and are working on a revised customer contract to be adopted by SWC. In the next twelve months, we will complete work on a revised operating licence for Hunter Water Corporation, as well as report on the licence compliance audits for each of Sydney Water, Hunter Water and Sydney Catchment.

Less sudden, though no less significant, has been the shift in our economic regulatory functions in the energy sector. The Tribunal regulates terms and conditions of access to gas distribution networks in New South Wales under the National Gas Code. We regulate revenues and prices for electricity distribution networks under the National Electricity Code but regulate default retail electricity and gas prices under State

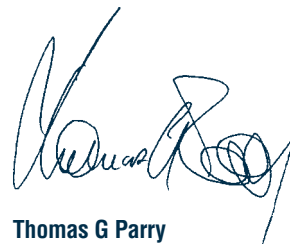
legislation. Water prices (urban and bulk) and passenger transport fares continue to be regulated under the IPART Act, including our advice to the Minister for Transport on fares for taxis and private buses and ferries.

It is perhaps not surprising that some stakeholders have expressed a degree of frustration with what they see as the lack of a "regulatory framework" within which to understand the Tribunal's decisions. The reality is that IPART operates within several very different regulatory frameworks as an economic regulator and as a licence regulator. Each of these regimes provides different degrees of guidance to the regulator and each gives the regulator a considerable degree of discretion. However, we recognise that we need to better explain the reasoning behind our decisions within the particular regulatory framework within which we are operating.

In previous years I have been critical of the overly complex and costly arrangements for regulating major energy utility infrastructure. Nothing has changed. I believe that we now have sufficient experience with both price regulation and access regulation under industry-specific regimes (like gas and electricity) as well as Part IIIA of the Trade Practices Act to undertake a thorough review and re-write of these regulatory arrangements.

Looking ahead, the introduction of full retail contestability in electricity and gas presents yet another new challenge for the Tribunal. Monitoring and enforcing the obligations of retailers in the energy sector with respect to how they deal with customers will be an important activity for the Tribunal, at least in the early phases of full contestability. Indeed, we look forward to fine tuning the licence regimes for both gas and electricity generally, following our major review of licence regulation in the energy sector, due to report early in 2002.

While it is a recurring theme in my Report, the role of the Tribunal's Secretariat remains the foundation stone of our work and any success we may enjoy. IPART is fortunate to have an outstanding Secretariat. I am especially pleased that as we approach our tenth anniversary, nearly all of our "old timers" are still on board. To them, to all our staff and stakeholders and to my colleagues on the Tribunal, without whom there would be no Tribunal, thank you!



Thomas G Parry
Chairman

The Tribunal

Permanent and Temporary Members

The Independent Pricing and Regulatory Tribunal is headed by a group of three permanent members plus temporary members appointed by the Premier from time to time. This group is known as the Tribunal.

Permanent Members



Chairman

Dr Thomas G Parry BEd (Hons), MEd, PhD

Appointed for five years from 7 June 1995. Reappointed for an additional five year term from 1 July 2000. Chairman of First State Super. Former Dean of Commerce, University of Wollongong.



Full-time member

Mr James COX BSc (Econ) (Hons), MA (Econ)

Appointed for five years from 22 February 1996. Reappointed for an additional five year term from 22 February 2001. Former Principal Adviser, Government Pricing Tribunal/IPART, 1992-96. Consultant, NSW Cabinet Office, 1989-92. Principal Economist, Office of EPAC, 1986-89.



Part time member

Ms Cristina Cifuentes BEd, LLB(Hons)

Appointed 9 September 1996 to 8 September 2000 to assist with gas regulation issues. Appointed 1 July 2000 to 30 June 2003 as part time member. Currently a Board member of NSW Treasury Corporation and First State Super. Previously Investment Strategist/Group Economist with BNP Investment Management, Senior Economist with NSW Treasury and with Rothschild Australia, and Head of Legal Policy, Australian Securities Commission. Formerly a member of the Premier's Council for Women.



Temporary member

Professor Warren Musgrave MSc Agr, PhD

Appointed 22 February 1996 to 31 December 2000 to assist with reviews of the pricing policies of local water authorities and of rural bulk water pricing. Re-appointed 27 February 2001 to 31 January 2002. Emeritus Professor of Agricultural Economics at the University of New England. Catchment Assessment Commissioner, 1995. Special Adviser, Natural Resources to the Premier's Department, 1995-2000.

Details of members' attendance at meetings and public hearings are given in Appendix 2.

IPART Secretariat

IPART's Secretariat assists the work of the Tribunal by providing research and advisory services. It also supports IPART's investigations and public processes.

Most of our professional staff members are highly experienced economists and financial/accounting analysts working in industry based teams, which undertake research, investigation and analysis to provide skilled professional advice to IPART.

A small Access Group covers general third party access issues and the access agreement register, and provides an Arbitration Registry when IPART is required to arbitrate an access dispute.

General Counsel and legal staff provide legal advice to IPART on the increasingly complex regulations governing utility operations.

Our support services team provides information technology, general administrative, and personnel support to the operational areas. It also manages IPART's processes, including the public registry, submissions, and the preparation and publication of reports and the website.

With most investigations additional research activities are required to provide IPART with the highest quality advice on often complex topics. Consultant research is commissioned as required for this work. If necessary, IPART can also second staff from other government agencies to assist with particular investigations.

IPART's Core Executive consisting of the Chairman, Full-time Member, Directors of the Industry Groups and Analysis and Policy Development, and the General Manager Support Services met regularly at approximately two week intervals throughout the year. Other Managers and General Counsel attended meetings as required.

Executive meetings reviewed the current work program of the Secretariat and ensured that the Tribunal was adequately briefed on all relevant issues.

The Secretariat's four Directors reporting to the Chairman, are shown below.



Director Analysis and Policy Development

◀ *Eric Groom BEd Hons, MEd*

Responsible for maintaining the intellectual rigour of the approach to regulation and ensuring the consistency of reviews.

Director Energy

▶ *Fiona Towers BCom (Accounting & Finance), MCom (Economics & Econometrics)*

Responsible for managing energy industry programs.



Director Water and Transport

▶ *Colin Reid BCom (Accounting), ASIA, CPA*

Responsible for managing water and transport industry programs.



General Manager Support Services

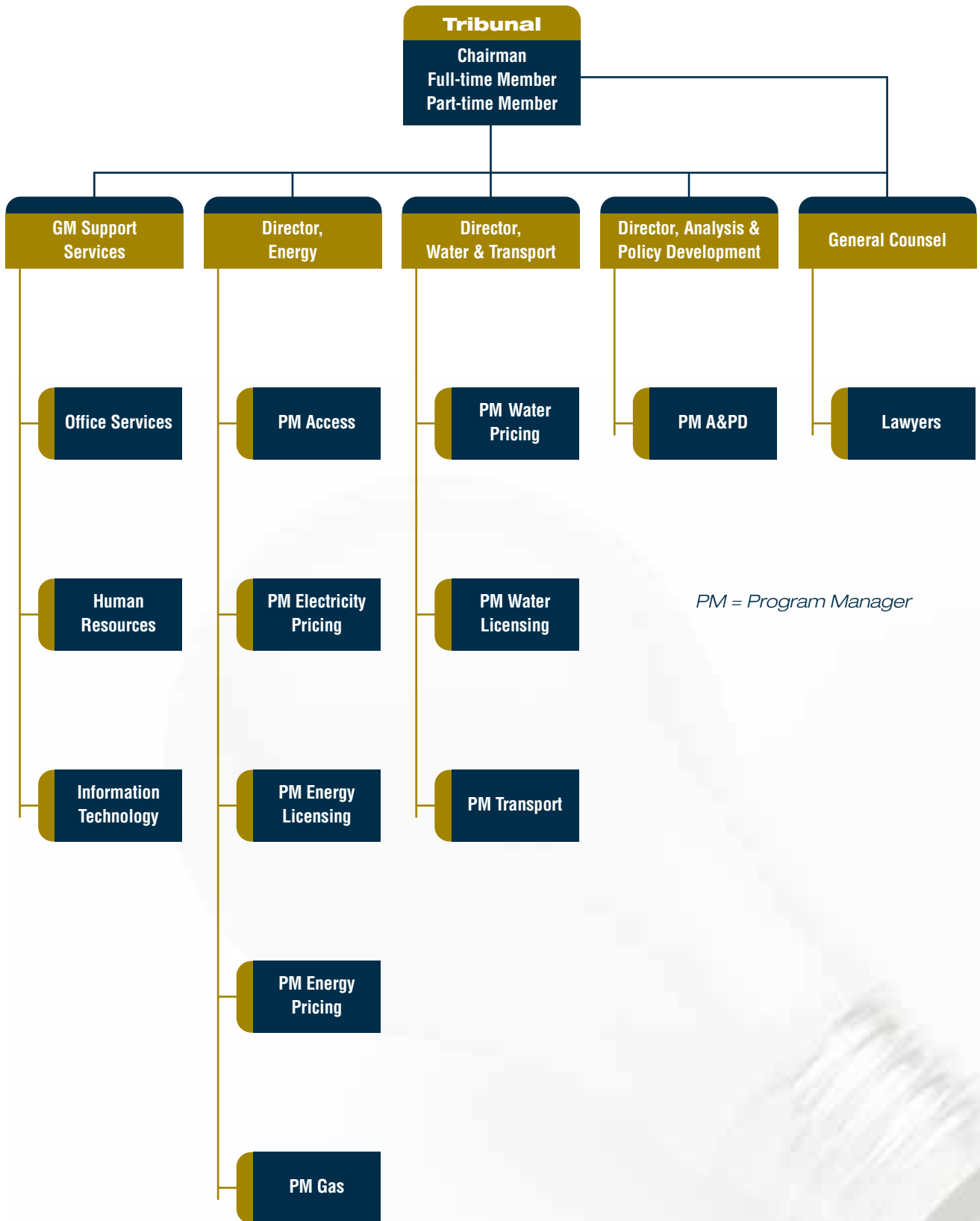
◀ *Meryl McCracken BA, Dip Lib, Dip PSM*

Responsible for providing support services including human resources, office services, finance and information technology.



IPART's Organisational Structure

as at 30 June 2001



Work Program

2001/2002

Water

Some work programs commenced in 2000/2001 will continue into 2001/2002. These include:

- ▼ determine medium term prices for the supply of bulk water services by Department of Land and Water Conservation;
- ▼ audit the operating licences for Sydney Water Corporation, Sydney Catchment Authority and Hunter Water Corporation;
- ▼ review Sydney Water Corporation's Customer Contract.

New projects include:

- ▼ review Hunter Water Corporation's operating licence;
- ▼ review the Sydney Catchment Authority Licence and the Sydney Water Corporation Licence.

Transport

- ▼ Undertake annual price determinations for CityRail and State Transit Authority.
- ▼ Make recommendations to the Minister on taxi fares, private bus and private ferry fares.
- ▼ Register access agreements.

Energy

Some work programs commenced in 2000/2001 will continue into 2001/2002. These include:

- ▼ prepare guidelines for accounting separation of contestable from non-contestable activities;
- ▼ review the form of economic regulation for Distribution Network Service Providers (DNSPs) under the National Electricity Code;
- ▼ review capital contributions to establish a framework for charging;
- ▼ prepare guidelines for "ring fencing" or separation of regulated network services from competitive services;
- ▼ review demand management/energy efficiency under Section 12A of the IPART Act; and
- ▼ review retail gas prices for small business and residential customers of Country Energy and Origin Energy.

New projects for 2001/2002 include:

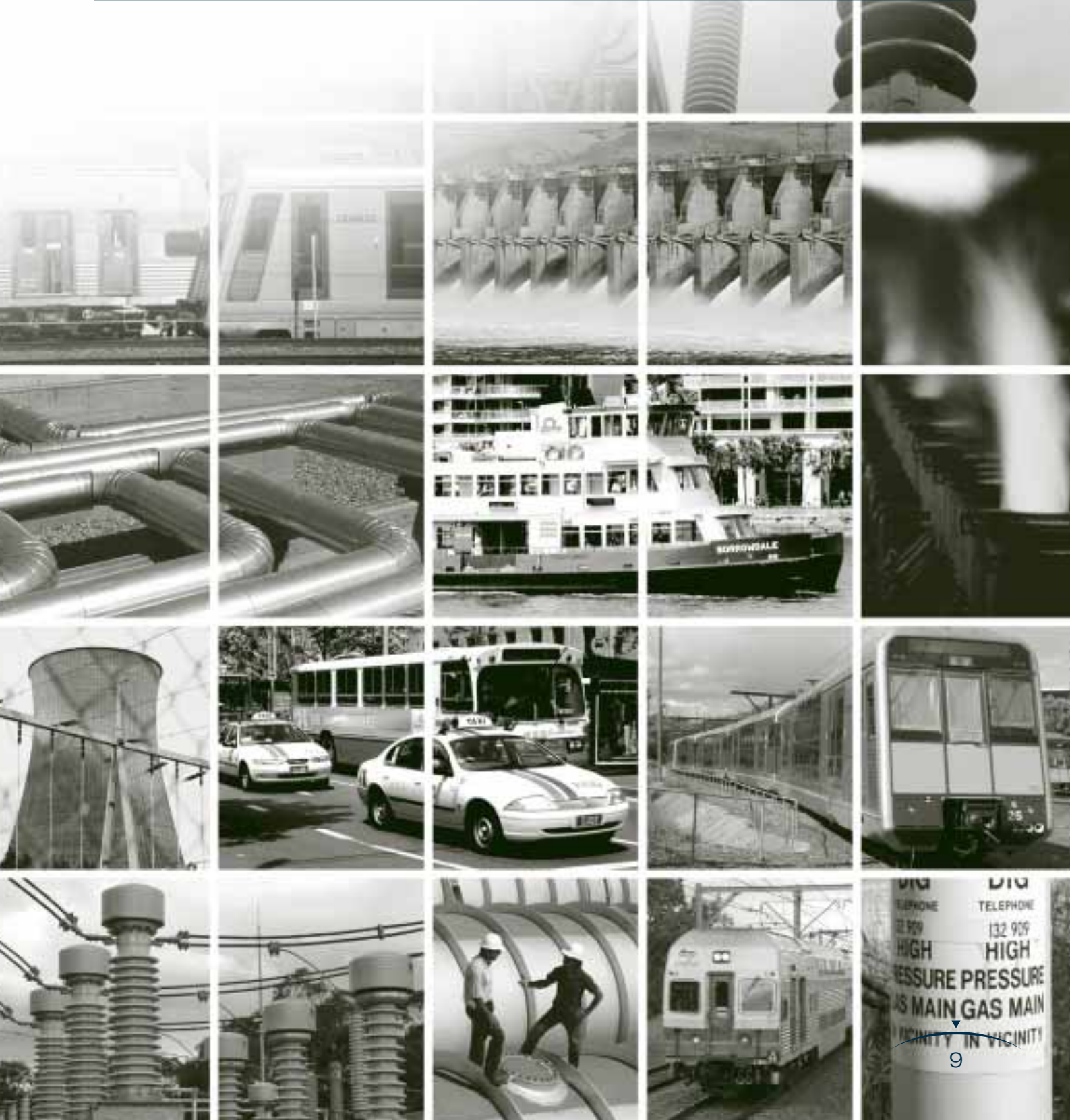
- ▼ conduct mid-term review of electricity default retail prices for customers with annual bills below \$16,000;
- ▼ review retail gas prices for small business and residential customers in Nowra and Tweed Heads;
- ▼ monitor compliance with past determinations;
- ▼ conduct mid-term review of AGL Retail Energy's gas default retail prices; and
- ▼ commence review of the Albury Gas company's access arrangements.

Corporate Objectives

Independent Pricing and Regulatory Tribunal of New South Wales

Throughout this financial year IPART has focussed on four core objectives:

- ▼ to reach a reasonable, balanced answer;
- ▼ to demonstrate a fair and open process;
- ▼ to apply a rigorous and credible approach to our work; and
- ▼ to manage resources efficiently and effectively.



Corporate Objective 1

to reach a reasonable, balanced answer

To reach a reasonable, balanced answer, IPART is committed to the following strategies:

- ▼ continue to monitor developments in other jurisdictions;
- ▼ continue to monitor and report on impacts of its decisions to ensure they have no unintended consequences;
- ▼ continue to research and adopt improved regulatory techniques and approaches;
- ▼ provide more reasoned explanations of decisions.

IPART believes it is vital that its commitment to achieving a balanced regulatory answer for each industry it regulates does not waver as it copes with the growth in its organisation and workload.

Given the increased complexity of its operating environment and growing sophistication of the entities it regulates, IPART must strive to be at the forefront of regulation. The objective is to apply best-practice regulatory approaches and ensure the price determination process remains relevant.

In 2001 IPART conducted a stakeholder survey to gauge perceptions of the quality of its processes. The survey indicated that a significant majority of stakeholders (77%) acknowledged IPART's strong compliance with its legislative requirements in a complex and difficult environment. However, stakeholders from regulated entities were more likely to express concerns that the basis for judgement was not adequately communicated, specifically the relative weight given to economic, social and environmental factors.

In practice, the various instruments under which IPART operates give the Tribunal a degree of discretion which makes it impossible to articulate a single, formulaic basis for decisions. IPART considers it appropriate to exercise this discretion case by case. In addition, there are a large number of diverse factors to take into account. Nevertheless IPART recognises the importance of explaining the rationale for determinations.

The following summary provides some examples of the implementation of IPART's strategic commitments in 2000/2001:

Monitor and report on developments in other jurisdictions

In preparing issues papers for various investigations (eg, reviewing system performance standards for Sydney Water, reviewing the customer contract for Sydney Water, reviewing the operating licence for Hunter Water), reviewing energy licensing regimes and preparing guidelines on the "ring fencing" for electricity Distribution Network Service Providers) IPART has investigated and reported on developments and examples from other jurisdictions (both Australian and overseas) and asked the question 'do they have relevance for what we do'.

As part of the cross-industry research program on the linkage of quality of service and price regulation IPART released discussion papers on the principles involved and means of assessing willingness-to-pay that drew upon and further developed work in other jurisdictions.

In determining maximum prices for regulated utilities we have compared prices with those charged interstate (eg bulk water) as well as investigated and compared the approach to price setting in other jurisdictions, making allowances for differences in legislation. For example, we have reviewed the Office of the Regulator General's (Victoria) approach to sharing the benefits of efficiency gains between the regulated utility and customers; we have looked at the performance measures adopted and associated penalties for non performance adopted in the United Kingdom and Victoria in the regulation of railways.

In future IPART will continue to strengthen its awareness of regulatory best-practice and draw upon this in its reviews. Inputs to this will be the further development of IPART's contacts with other regulatory bodies and research institutes and the effective use of consultants and IPART's Analysis and Policy Development group. However, most importantly IPART will further develop the practical integration of the experience of others into its processes, decisions and reporting.

Monitor and report on impacts of decisions

In the determination of rail, bus and ferry fares we sought the available information on the income profile of public transport users compared with private vehicle users. We also examined the income profile of users of different fare types (single fares, multi-ride tickets) to inform the Tribunal of any adverse social impacts of the determined fare increases.

In the bulk water review we asked the Department of Land and Water Conservation (DLWC) to provide details on the socio economic impacts of their proposed price increases and asked for customer feedback. The DLWC commissioned the Department of Agriculture to conduct such studies and these studies have been circulated to stakeholders and been the subject of discussion at workshops.

In the review of capital contributions for connection to the electricity networks, we asked the Distribution Network Service Providers to provide details on the impacts of proposed capital contribution policies. In reviewing gas retail prices we required the gas retailers to provide information on the impacts of the proposed price changes on different gas consumers.

This report provides a summary of the impacts of IPART determinations on household and business costs on page 20.

In future, for energy and water retail decisions there will be a greater emphasis monitoring compliance with licence conditions and impacts of decisions through the use of audit and other strategies.

Corporate Objective 1

continued...

Research and adopt improved regulatory techniques

We receive and review regular updates from other jurisdictions on the regulatory approach and we analyse the benefit/cost of implementing such approaches here. For example, the approach adopted by the Office of Water Services in the United Kingdom in comparing the relative performance of different water and wastewater operators and linking price and service quality performance.

In future we will continue to monitor developments overseas and locally, for example, in the areas of the environment and incentives for service quality. We will continue to compare approaches of other regulators and summarise the options. The comparative table published in the Ring Fencing Guidelines for New South Wales Electricity Distribution Network Service Providers provides a good example.

A number of reviews scheduled for 2001/2002 will provide an opportunity to build upon and enhance developments in regulation in other regimes. These include the further development of the linkage between quality of service and price regulation, the review of the form of regulation in electricity and the review of the role of demand management in the provision of energy services. This year will also provide an opportunity to review and draw upon the practice in other regulatory regimes in planning for the major electricity, gas and water reviews to commence in 2002/2003.

Provide more reasoned explanations for decisions

In transport and bulk water we commissioned various studies by consultants on aspects of the agency submissions and the effectiveness of price regulation, made these studies public, held workshops to discuss the outcomes and gave and sought feedback to and from the consultants. Our determination reports then attempted to highlight how we considered these studies and the associated feedback from stakeholders in making our determinations.

For both the work on ring-fencing and capital contributions the Tribunal held workshops where participants engaged in discussion and debate on the various regulatory options.

Both from the international literature on regulation and our own stakeholder survey it is clear that regulated entities are seeking increased consistency and predictability through explanation of the relative weight given to various statutory objectives. This is not possible as a global approach but in future the Tribunal intends to provide a fuller explanation of the relative weights given to different objectives for a discrete decision.

Corporate Objective 2

to demonstrate a fair and open process

To pursue this objective IPART is committed to:

- ▼ continue its regular meeting program with key stakeholders;
- ▼ encourage stakeholder involvement by:
 - adopting technology/processes that make it easier for stakeholders to participate in investigations
 - continuing to publish timetables for reviews and releasing discussion papers and draft determinations
 - continuing to hold stakeholder seminars and public hearings;
- ▼ continue to explain decisions through public reports and issues papers;
- ▼ periodically repeat feedback program to survey stakeholder perceptions of integrity, processes and quality of work;
- ▼ publicise realistic timetables that allow adequate time for the entities to respond; and
- ▼ improve adherence to target dates and communicate the reasons for any delay.

To fulfil its mission and safeguard its credibility and relevance, IPART must ensure that its processes are fair and open, and that they are perceived as such by stakeholders.

To do this, it must consult widely and effectively with all its stakeholders, ensure they understand each stage of the regulatory process and encourage debate about industry outcomes and regulatory methods. In addition, IPART needs to know what is happening within the industries and entities it regulates.

IPART communicates with a number of consultative groups specifically established to improve our awareness of stakeholder views and to provide forums for discussion.

This approach was strongly endorsed by the feedback from the stakeholder survey, which confirmed strong interest in opportunities for discussion of key issues and drivers for each industry IPART regulates. Overall, the majority of IPART's stakeholders (83%) hold IPART's consultation processes in high regard and there was a strong view that these processes were of a much higher quality than those of other public sector

organisations. Stakeholders acknowledged that consultation processes are well promoted and transparent (93%).

The survey also identified stakeholder concerns about the adequacy of time frames for responding to IPART requests for information, the need for clearer mapping of the regulatory timetable and stricter adherence to it. While the Tribunal will continue to place the quality of the decision above a deadline and will respond to issues that arise in the course of a review requiring time and attention, IPART accepts the importance of setting fair target times.

Progress in following strategies to improve processes in 2001 include:

Regular meeting program with key stakeholders

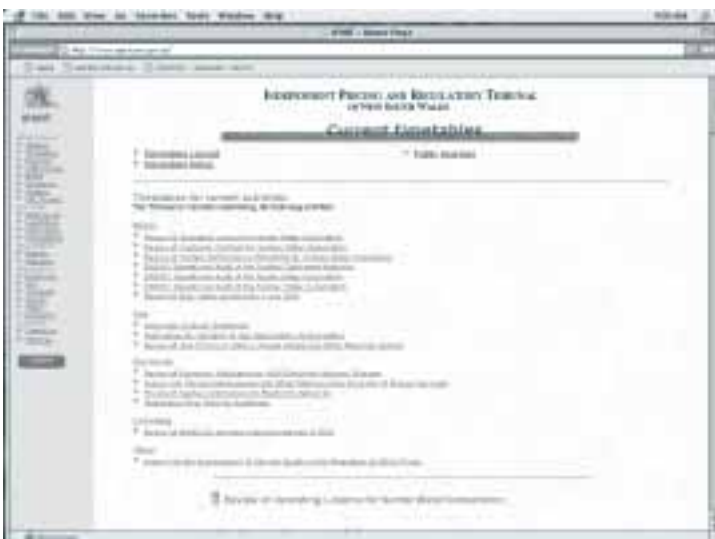
In providing advice to the Tribunal, the Secretariat liaises extensively with other government agencies, businesses, consumer, welfare, and private organisations, special interest groups, and individuals. As well as receiving a wide range of information from government agencies whose monopoly services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

IPART communicates with a number of consultative groups specifically established to improve our awareness of stakeholder views and to provide forums for discussion. Last year this included:

Energy Industry Consultation Group

This group liaises with distributors, retailers, customers, environmental groups, consumer, and business groups, the Ministry for Energy and Utilities and the Electricity Reform Taskforce on electricity pricing issues.

Left: The IPART website provides stakeholders and interested parties with up-to-date, online coverage of our activities.



Pricing Principles Working Group

This is a sub set of the above forum, comprising representatives of the Distribution Network Service Providers, independent retailers, end-use customers, embedded generators and other regulators. The group considers matters relating to the translation of pricing principles into practical guidelines, the publication of information on pricing strategies and the requirement to notify the Tribunal of network price changes.

Next year we will establish three new groups to inform the Tribunal on stakeholder views in the water industry. The three groups will cover the following subject areas:

- ▼ reviewing tariffs for large customers of Sydney Water;
- ▼ stormwater pricing policy for metropolitan Sydney; and
- ▼ sewerage pricing for residential customers in metropolitan Sydney.

Technology that facilitates stakeholder participation

The IPART website (www.ipart.nsw.gov.au) provides stakeholders and interested parties with up-to-date, online coverage of our activities. This provides current information on many of the issues mentioned in this annual report. The website is part of the NSW Government commitment to making comprehensive electronic services available to users via the internet.

As well as providing a wide range of information about IPART's role, its legislation, corporate plan and contacts, the site is regularly updated with information about our current work program. It includes:

- ▼ current timetables for all investigations, including public hearing schedules;
- ▼ copies of all media releases and advertisements;
- ▼ on-line access for browsing and downloading public submissions, reports and other publications;
- ▼ our annual report and corporate plan; and
- ▼ an up to date review of major areas of regulation.

In 2001/2002 we plan to undertake a complete review of the website's content and navigation and introduce a search engine to improve access to information.

Release discussion papers and draft determinations

IPART continues to publish issues papers, discussion papers and research reports, release interim reports and seek comments before releasing the final reports (where appropriate), and to use these avenues to stimulate dialogue with stakeholders.

Examples in 2000/2001 include five discussion papers on subjects ranging from system performance standards for Sydney Water Corporation, ring fencing of NSW distribution network service providers, electricity and gas licensing

regimes and Sydney Water Corporation's customer contract. A research paper was issued on the incorporation of service quality in the regulation of utility prices. IPART released seven reports under the electricity code in addition to reports on estimating the new tax effect on CPI, a water industry overview and a price and service report on NSW electricity distribution.

IPART is committed to continue wide dissemination of drafts and issues papers in future to promote stakeholder communication and feedback.

Hold stakeholder seminars and public hearings

In this financial year we held stakeholder seminars on "ring-fencing" guidelines for electricity Distribution Network Service Providers (DNSPs), making incentive regulation work, pricing principles for electricity DNSPs, the social costs and benefits of public transport and the assessment of willingness-to-pay for improved service quality.

IPART hosted a forum entitled "Prudent Expenditure on Network and Non-network Alternatives" in the NSW electricity distribution industry. The forum facilitated an open discussion on prudent investment processes and sought stakeholder views on how the Tribunal should assess capital expenditure in its next review. In 2001/2002 IPART will continue its active involvement in, and support for, the Regulator's Forum. It will also look to expand its links to regulatory agencies, research institutes and other key stakeholders in other regimes.

Collaboration and sharing of information also depends on how well IPART's own work is communicated and disseminated. Among the steps to be taken to improve this will be the development of more effective consultation strategies, further improving the quality and readability of IPART reports, wider circulation of IPART's reports to its peers and regulatory stakeholders elsewhere, and a review of IPART's web-site and electronic communication strategy.

We also held a workshop to assist the Tribunal in its role of recommending system performance standards for Sydney Water.

We hold at least one public hearing for each investigation and transcriptions of all public hearings are available for public inspection.

Copies of all submissions to IPART investigations that are not subject to confidentiality or are considered to be exempt documents under the Freedom of Information Act are made available for public inspection immediately following registration.

Copies of all publicly available submissions and hearing transcripts are available for inspection at our public access library located at our Sydney office. Alternatively, all available public submissions to current investigations and transcripts of public hearings are available for viewing and downloading from our website.

Corporate Objective 2

continued...

Details of public hearings held during 2000/01 and statistics of submissions received during this period are given in Appendix 2.

We are committed to maintaining this open and transparent approach to work in progress.

Explain decisions through public reports and issues papers

Publications relating to IPART investigations include:

- ▼ issues papers;
- ▼ information and research papers; and
- ▼ interim and final reports.

Publications released in 2000/2001 are listed in Appendix 3. Recent reports may also be viewed and downloaded from IPART's website.

All formal price determinations under the IPART Act 1992 are published in the NSW Government Gazette.

Feedback program to survey stakeholder perceptions

This financial year IPART commissioned its first stakeholder survey since 1997. The intention was to survey stakeholder perceptions of the quality of regulatory processes in all core functions except licensing responsibilities, which had only recently been transferred to the Tribunal. The survey consisted of a questionnaire sent to all stakeholders who had significant direct dealings with IPART over the last two years and follow-up interviews with major stakeholders. This provided both quantitative measures of stakeholder perceptions with qualitative data from the interviews. A response rate of 76% was achieved. The Tribunal is using the feedback in its business planning processes. The issues identified in the survey are covered throughout this section on corporate strategies. However it is interesting to note that stakeholders in all sectors recognised that sustainable improvements in decision-making processes will only be achieved where joint responsibility for issues is accepted.

We will repeat the survey every two years.

Publicise realistic timetables and improve adherence to target dates

In this reporting period IPART commenced publishing a calendar of events which is maintained and updated on the web site. The calendar provides schedule details of all major reviews, projected timeframes and public consultation dates. Issues papers now also include a timetable for the review, with the dates of key milestones.

In future we will endeavour to improve adherence to timetables and to allow organisations realistic time to respond. Recognising that issues may arise to delay reviews, we will communicate the reasons for changes to timetables.

Corporate Objective 3

to apply a rigorous and credible approach to our work

IPART is implementing the following strategies to fulfil this commitment:

- ▼ implement outcomes of completed process review;
- ▼ work with other regulatory bodies and public sector agencies to share innovations and establish/meet best practice;
- ▼ continue to investigate ways to obtain the views of average customers;
- ▼ continue to invite submissions from all segments of the community;
- ▼ continue to work with the Public Interest Advocacy Centre and other representative groups to canvas a wide range of views;
- ▼ maintain an intellectually rigorous work environment where advancement is based on merit;
- ▼ recruit additional senior staff;
- ▼ improve internal analytical capacity through recruitment and development practices;
- ▼ make better use of internal and external legal advice;
- ▼ make better use of consultants;
- ▼ apply high standards of ethical and professional work practices; and
- ▼ encourage teamwork in an inclusive, respectful working atmosphere.

Like all public sector organisations, and the entities it regulates, IPART needs to maintain a continual focus on enhancing the quality of its work and the rigour of its processes by reviewing its operations and work practices.

The stakeholder survey indicated that stakeholders have a high level of respect for the professionalism of IPART's staff, particularly in regard to the manner in which they conduct their dealings with agencies. Overall 78% of respondents agreed that IPART's staff demonstrate a high level of professionalism, with significantly higher levels of respect from government stakeholders and interest groups.

For stakeholders from the regulated enterprises in the energy sector the survey revealed a perception that broader customers' views (ie, the 'average customers') are not always well represented in reviews. They considered that the degree of input from advocacy groups for the disadvantaged was not truly representative. While the Tribunal encourages and considers submissions from all consumer groups, including individuals, the Tribunal acknowledges that the availability of relevant data could lead to this perception.

A number of stakeholders in the regulated industries raised concerns about how a small agency like IPART can maintain consistency of expertise across all staff, access specialist expertise and ensure the depth and breadth of expertise across the wide range of areas that the Tribunal covers. These stakeholders recognised the resource limitations within IPART but were seeking from the Tribunal a practical understanding of the key drivers for their industries. IPART recognises the need to diversify and develop its in-house expertise and to complement this area with the use of consultants for industry specific expertise.

These highlights from 2000/2001 illustrate the strategies being followed in this area:

Implement process review

Senior analysts, Program Managers and Directors participated in a project management training course which was designed

to establish a systematic and consistent approach to the review cycle and to provide a "best practice" model for each stage of the process. The program was tailored to IPART's specific needs and identified six stages in the review cycle, providing different tools for each stage.

The executive reviewed the program, its tools and proformas, to select and edit the documentation that would become a formal part of any review's management and monitoring.

IPART recognises the need to diversify and develop its in-house expertise and to complement this area with the use of consultants for industry specific expertise.

The challenge in 2001/2002 is to integrate this best practice approach with the review process and monitor the use of the checklists and tools to ensure they are used to good effect when conducting a review.

Collaboration to share innovations and establish/meet best practice

IPART is a member of the Utility Regulators Forum, a group of state, federal and territory regulators that share information on regulatory developments with the object of promoting consistency of approach where possible. The Forum organises presentations and holds discussions on issues of mutual interest. It also supports a Steering Committee of National Regulatory Reporting Requirements and associated work groups examining information requirements to facilitate benchmarking. IPART staff chair two of the three working groups on distribution and finance.

The Chairman is a member of the Australian Competition and Consumer Commission's Energy Committee which regulates transmission assets in the electricity and gas sectors.

Next year IPART will continue its active involvement in, and

Corporate Objective 3

continued...

support for, the Regulator's Forum. It will also look to expand its links to regulatory agencies, research institutes and other key stakeholders in other regimes.

Collaboration and sharing of information also depends on how well IPART's own work is communicated and disseminated. Among the steps to be taken to improve this will be the development of more effective consultation strategies, further improving the quality and readability of IPART reports, wider circulation of IPART reports to its peers and regulatory stakeholders elsewhere and a review of IPART's web-site and electronic communication strategy.

Obtain the views of average customers

IPART continues to advertise all investigations and seek submissions from any interested party including members of the public. However we accept stakeholder feedback that the current public hearing and public submission process may not capture the views of the general public or customers such as small business. Consumer groups often focus on specific public welfare concerns and they themselves acknowledge that they do not have adequate resources to respond to some of the highly technical debates.

In 2001/2002 IPART will review cost effective options for obtaining a more representative range of consumers' views which may extend to commissioning specific research.

Work with the Public Interest Advocacy Centre and other representative groups

We also maintain good working relationships with community interest groups such as the NSW Council of Social Service, Smith Family, Public Interest Advocacy Centre, Australian Consumers Association, Australian Ecogeneration Association, Commuter Council, Energy Users Group of Australia, Energy Markets Reform Forum, Local Government and Shires Associations, Nature Conservation Council of NSW, Peak Environment Groups of NSW, Uniting Church in Australia and others.

We currently meet regularly, approximately quarterly, with major consumer groups such as the NSW Council of Social Service and the Public Interest Advocacy Centre to seek information on their assessment of any adverse impacts of IPART decisions on consumers. In this reporting period IPART staff have also briefed the Utilities Consumer Advocacy Program about the Tribunal's role in water licensing.

In future we accept that IPART needs to be more sensitive to consumer group resource limitations when setting deadlines for input and in seeking comment on complex, technical issues.

Recruit additional senior staff

Using local and international press and web-based recruitment sites the Tribunal recruited a number of additional senior staff. These include a General Manager Support Services, (releasing a Director to be dedicated to the Water and Transport industry group), a Program Manager (a new position), and filled 1 vacant Program Manager position and 3 senior analyst positions. These appointments enabled IPART to respond to the increase in functions resulting from the transfer of energy licensing functions from the Ministry of Energy and Utility.

IPART will need to review the adequacy of senior positions in the new financial year to consider the impact of new functional responsibilities in the areas of metrology and full retail competition in electricity and gas.

Improve internal analytical capacity

IPART recruited a total of eight level 2 analysts and three level 3 analysts in the last year. There was a pleasing reduction in turnover of staff compared with the previous year with only two resignations from the analyst area. However the strength of the 'regulation industry' has substantially increased the opportunities for analysts and there continues strong competition for resources.

Next year, as part of the workforce profile project, IPART will seek to establish the right mix of staff to ensure we have adequate skills in the areas of economic analysis, finance, economics, regulation, and understanding of the industries in which the utilities operate.

Corporate Objective 3

continued...

Use of internal and external legal advice

The resignation of one lawyer in mid-year meant that for much of 2000/2001 the Tribunal relied on the support of the one legal counsel while acknowledging that the legal workload required more dedicated internal resources. In June 2001 IPART recruited two legal staff bringing the total complement of in-house lawyers to three. Significant additional funds were also allocated to seeking external legal advice on new aspects of the Tribunal's jurisdiction involving complex, untested areas where there is sufficient ambiguity to make it prudent to seek clarifying advice. This year examples included provisions under the National Electricity Code and National Gas Code.

Use of consultants

The extensive use of consultants is essential to access expertise across the full breadth of IPART's complex regulatory issues to maintain the credibility of decision-making. From the survey of stakeholder perceptions it emerged that less than half of stakeholders consider that IPART is adequately resourced to undertake its regulatory roles and responsibilities. The survey report observes that "...the major issue for these stakeholders was the capacity of IPART to maintain expertise across the wide range of issues that needed to be considered in regulatory decisions, not just in the field of economics...".

The Government recognised the value and necessity of consultancies for IPART in approving an enhancement to the 2000/2001 budget of \$850,000. An additional sum was transferred to the Tribunal from the Ministry of Energy and

Utilities when IPART took over the water audit role and an ongoing amount of \$550,000 will be available in future years for this function. Consultancy cost is the largest single area of operational expenditure and the adequacy of funding for consultancy remains a key strategic issue. A list of consultant expenditure is shown in Appendix 4.

In future we will continue to use consultants in a targeted way to complement internal skills and resources, or to obtain an independent view, or to carry out our growing audit responsibilities. For these reasons we anticipate that the use of consultants, and associated budget, will further increase.

High standards of ethical and professional work practices

This year the Tribunal developed a new professional standards and behaviour policy covering important areas critical to the Tribunal maintaining its independence, credibility and status as a professional organisation with high probity and ethical standards. These areas covered confidentiality of information, conflicts of interest, intellectual property and restrictions on trading.

The stakeholder survey indicated almost unanimous recognition that staff conduct their work with courtesy (100%), honesty and probity (91%). Where concerns were raised about honesty by a small number of stakeholders in the regulated energy enterprises, these related to the extent to which IPART staff were fully transparent in explaining the reasons for Tribunal decisions. The issue of providing more reasoned explanations of Tribunal decisions is dealt with elsewhere in this report.



Corporate Objective 4

to manage resources efficiently and effectively

IPART requires its staff to provide flexible, responsive services and facilitate the process of continuous improvement through innovation, collaboration and sector-wide reform.

In addition, there is the ongoing responsibility to ensure that services represent good value for money.

The following strategies support this objective:

- ▼ Seek adequate government funding to maintain market-driven remuneration and meet consultancy needs;
- ▼ Review profile of workforce and match skill set with organisational needs;
- ▼ Become a preferred employer through development opportunities and family friendly work practices;
- ▼ Provide systematic training and other skill-building opportunities for staff;
- ▼ Work with other public sector agencies to achieve economies of scale;
- ▼ Continuously improve systems and services;
- ▼ Embrace Government commitment to electronic service delivery.

Examples of how the above strategies were implemented in the reporting period include:

Seek adequate funding

In 1998 IPART outlined in some detail the resource impact of regulation under national codes, the increased investigation and regulatory workload, the higher stakeholder expectations and the greater complexity of technical issues. The Government acknowledged the growth in workload with a maintenance base adjustment of \$1.01 million (in 1998/1999 dollars) in future years up to and including 2001/2002. Treasury committed to review the functions and related workload before 2002/2003 on the basis of a new business plan to be submitted by IPART.

IPART completed the business plan in 2000/2001. The plan confirms that three years on there has been no reduction in workload or complexity and in fact the Tribunal's regulatory responsibilities have continued to expand. A summary of the increase in regulatory accountabilities is shown in the plan's Appendix D. In addition, only a minority of stakeholders (43%) agreed that IPART is adequately resourced to undertake its regulatory roles and responsibilities.

IPART submitted a bid to Treasury to maintain the 1998/1999 base adjustment and the enhancement of \$1 million approved in 2000/2001. Further resources will be required for new functions to be assumed in 2002 in the areas of metrology co-ordination and full retail competition (see *Future Directions* – page 24).

Review workforce profile

As part of a comprehensive review of our performance management system IPART prepared detailed capabilities maps for all work roles within the organisation. The capabilities maps describe the characteristics that are indicative of effective performance over time in each role. They help to define the knowledge, skills, experience and abilities required in various roles and at various levels, and to express them as observable behaviours.

In addition to their value in promoting consistency when assessing aspects of performance, the capabilities maps also encourage staff to build knowledge and skills which support IPART's needs. In this way they prompt more focussed and effective development planning and facilitate the allocation of resources for training and development. In the last year we completed capabilities maps for analysts, legal staff, support staff and management.

In 2001/2002 we will carry out a formal review of our workforce profile to supplement the work done to date.

Family friendly work practices

IPART is committed to flexibility in work practices and hours of work to support employees in managing their work and family responsibilities. We consider that acknowledging the importance of family commitments encourages a motivated and productive workforce, reduces turnover and provides a competitive edge in recruitment. Some examples of family friendly policies include:

- ▼ generous flexible working hours arrangements
- ▼ part time work (more than 17% of IPART staff work part time, up to and including Director level)
- ▼ career breaks, and
- ▼ paid family and parental leave.

Training and skill-building

The major training initiative in this financial year was the development of a program management course tailored to IPART's specific business needs. There were two components, program management skills and people/team and leadership skills. The course covered both principles and tools such as checklists, quality assurance and post review audit. The training helped to clarify the roles and responsibilities of different team members, to improve consistency and documentation of the review process, to improve planning and risk management and to develop coaching and team building skills.

Another training course was designed to support the introduction of the revised Performance Enhancement System.

Corporate Objective 4

continued...

In addition to the ongoing assessment of individual performance, the new system introduces a more structured approach to work planning and priorities and to decisions about training and development. The training focussed on the use of the forms and process and the giving and receiving of feedback.

The Tribunal also commissioned a course to develop report writing skills, both style and structure. The training was so successful that the course was repeated for new recruits in 2001.

Eight staff members were granted study time to attend private study and secondments were approved both to and from IPART and other private and public sector bodies.

Next year we will follow up the workforce profile review with a systematic training needs analysis.

Work with other public sector agencies

IPART is participating in a coordinated 'whole of sector' approach to Electronic Self Service (ESS) implementation for personnel and payroll transactions. Agencies are encouraged to introduce ESS implementation to dramatically improve the quality of service for staff and achieve productivity improvements. ESS has the potential to make significant sector-wide savings which can be redirected to core business areas.

Another whole of government initiative in which we are participating is the Online Business Licensing Project coordinated by the Office of Information Technology. The goal is to streamline business licensing practices and integrate licensing regimes across government. In cooperating with this best practice approach, IPART aims to streamline and simplify the energy licensing process and reduce application processing times.

IPART is continuously reviewing and updating its employment practices and procedures in accordance with equity principles and collaborates with the Office of the Director of Equal Opportunity in Public Employment (ODEOPE) and the Anti-Discrimination Board to this end. IPART has held preliminary discussions with ODEOPE on the use of the staff climate survey developed by ODEOPE for use by public sector agencies.

Economies of scale are achieved in training by purchasing generic training courses through the Central Corporate Services Unit. The volume of business which they represent ensures very competitive rates and high standards.

Improved systems

In 2000/2001 we completed the review and documentation of internal financial controls, delegations and asset management. We now have direct connection to the Central Corporate Services Unit payroll and financial systems to streamline the

payment of accounts and to allow immediate interrogation of data for human resource and financial reporting.

Exit interviews were introduced to gain insight into staff perception of IPART as an employer, to improve recruitment procedures and to contribute to job design.

During the year IPART documented a number of information management initiatives and projects under a three year IT Strategic Plan. The Plan focuses on supporting IPART's corporate objectives by enhancing tools and services for Tribunal staff and stakeholders.

Implementation of the plan commenced early in 2001 and a number of projects have been completed. The IT Strategic Plan is quite project specific but also encompasses ongoing hardware and software technology reviews. Some of the most significant upgrades over the year include the Office 2000 software upgrade, the introduction of a higher capacity link to the Internet and a new firewall. The Tribunal also implemented a new security policy incorporating both technical and work practice improvements.

In the reporting period we also completed negotiating the detail of the service level agreement for a contract for network support. A feature of the agreement is the provision of a number of monthly reports to assist IPART not only to monitor the contract but to be proactive in identifying and managing system risks.

Electronic service delivery

IPART supports the State Government Electronic Service Delivery initiative. IPART has completed its electronic service delivery plan and the associated quarterly reports. With the emergence of new technologies and the increasing demand for electronic information, IPART recognises the importance of Web interaction and continuously works on enhancing its web interface for both stakeholders and the general public. In the last year IPART added an overview of energy licensing in NSW, a guide to licence applications and licence application forms for new licences or renewals which can be completed and lodged on-line. At this time there is no provision for on-line payment but we anticipate adding this service as part of the whole of government licensing project described above.



Impacts of IPART determinations

IPART regulates declared monopoly services supplied by the NSW¹ government in the electricity, water and sewerage, and public transport industries, as well as private monopoly supply of natural gas.

IPART's price determinations affect both household and business costs. To monitor the impact on households, we introduced an index of household charges in 1993.

Impact on Households

IPART's Index of Household charges measures the impact on an average household of charges that IPART regulates. The index uses Australian Bureau of Statistics (ABS) data on household expenditure to calculate the relative expenditure (weightings) for electricity, gas, water and public transport (rail and bus/ferries).

In 2000/2001, the Index of Household Charges increased by 7.2% including GST. This means that for an average household, the weighted average nominal increase in the price of electricity, gas, water and public transport was 7.2%. This compares with the Consumer Price Index (CPI) for NSW of 6.2%. When the net impact of the GST and associated tax changes is excluded, the household index increased in nominal terms by 0.9%.

Since 1993/94 the index has increased by around 19% in nominal terms (see figure 1 below). The large jump in the index for the year 2000/2001 is mainly due to the effects of the GST. If the impacts of the GST and associated tax changes are excluded, the index has increased by around 12% in nominal terms since 1993/94. This equates to a real reduction of around 4% over the period.

Impact of IPART determinations on residential customers

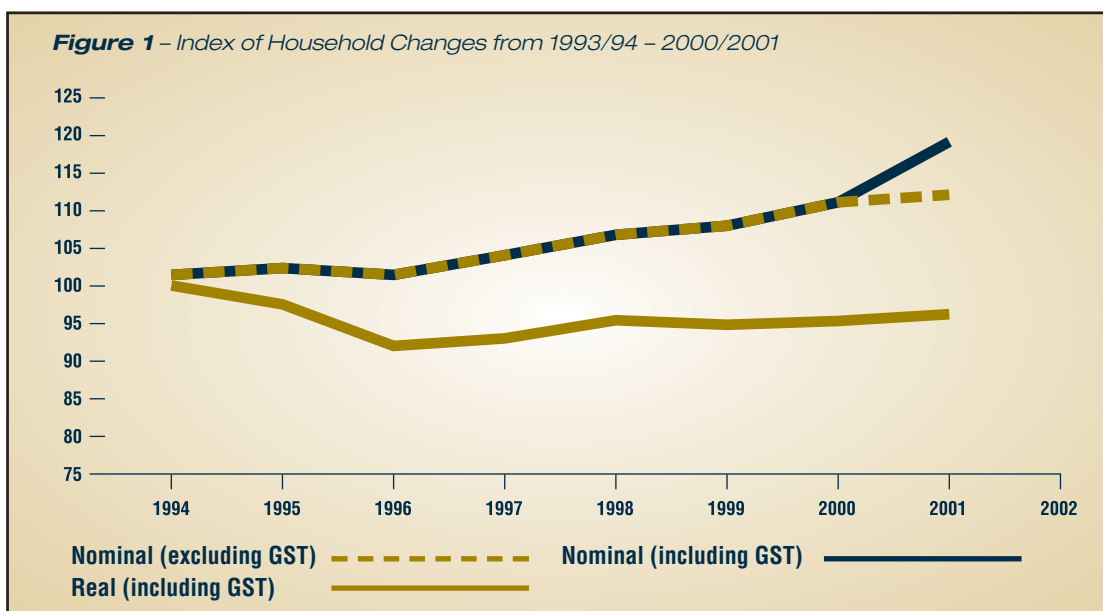
This section provides an assessment of the determinations that applied to typical NSW residential customers in 2000/2001.

Electricity

Over the past year, average electricity prices for residential customers increased by 8.1%. This increase was mainly due to the GST, with electricity prices falling 1.7% if the GST and associated tax changes are excluded.

Financial year ending June	Whole of NSW Average Nominal Price (cents/kWh)	
	Excl GST	Incl GST
1996	9.65	
1997	9.62	
1998	9.77	
1999	9.77	
2000	9.80	
2001	9.63	10.60
Change from 2000 to 2001	-1.7%	8.1%

Notes: Data for this table come from the regulatory accounts and information provided by the electricity distributors.



1. IPART also regulates certain non-declared services (retail electricity tariffs for franchise customers) and urban water services provided by Gosford and Wyong Councils.

Impacts of IPART determinations

continued...

Contestability is being introduced progressively into the electricity retail market with the residential segment (0-40MWh per annum) due to become contestable from 1 January 2002. During the year IPART recommended to Government a system of regulated retail tariffs under amendments to the Electricity Supply Act, 2000. These tariffs provide households with the protection of a default tariff as the market becomes contestable. Customers who do choose to switch suppliers or to a new contract with their existing supplier remain on the default tariff. Under these regulated tariffs, bills for residential small retail customers cannot increase by more than the CPI or \$25 per annum².

Gas

The Tribunal issued the final decision in relation to the delivered price of natural gas for customers served by the AGL Network. With the move towards full retail contestability (set to commence on 1 July 2001), the Tribunal has negotiated voluntary pricing principles (VPP) that will provide for default

tariffs for residential customers till 2004. Annual bills for the same amount of gas consumption as the previous year will be limited to increases of \$15 or 3% above the inflation rate whichever is higher.

Table 2 presents an analysis of the typical gas bills for Residential Gas customers of AGL since the financial year ending 1996.

Public Transport

Fare increases for City Rail services for 2000/2001 averaged 8% (incl GST). For STA, the fare increases averaged 8.6% (incl GST). Excluding the effect of the GST and associated tax changes the net increases were 0% and 2.8%, respectively.

Water

The determination for Sydney Water follows a three-year price path. For a typical residential customer using 240kl of water per year, water and sewerage bills increased by 3.5% in

Table 2 – Typical weekly Gas bills for AGL customers (nominal)

Financial Year Ending June	Total Bill (nominal)			
	Excl GST (\$/week)	Change (%)	Incl GST (\$/week)	Change (%)
1996	6.05			
1997	6.22	2.8		
1998	6.62	6.4		
1999	6.94	4.8		
2000	7.19	3.6		
2001	7.69	7.0	7.91	10.0

Based on an annual consumption of 25 GJ for AGL customers

Table 3 – Changes in prices for STA (Bus) and SRA (Rail) travel – selected periodical tickets

Weekly and Travel Pass	Commuter Trip (ticket) Examples			
	Cambelltown-City (weekly)	Parramatta-City (weekly)	Lane Cove-City (blue travel pass)	Five Dock-City (red travel ten)
1997	29.00	20.40	18.10	16.80
1998	30.00	21.00	19.00	17.20
1999	31.00	21.00	20.00	17.60
2000	35.00	24.00	23.00	20.00
2001	38.00	25.00	25.00	22.00
Change from 2000 to 2001	8.6%	4.2%	8.7%	10.0%

2. For the same consumption levels and patterns as the previous year.

Impacts of IPART determinations

continued...

nominal terms. An example of the changes in a typical bill for Sydney Water customers for the past six years is shown in Table 4. As there is no GST on water the package of tax changes had a negligible impact.

A new approach to charging for water services was adopted in Gosford and Wyong. This resulted in some customers receiving higher bills whilst others experienced a decrease. The bill for a typical Gosford customer using 240kl of water increased by 3.1% in nominal terms and for a typical Wyong customer by 4.4%.

The bill for a typical Hunter Water customer consuming 240kl of water increased by 0.4% in nominal terms.

Table 4 – Typical weekly bills applicable to residential customers of SWC (nominal)

Financial year ending June	Total Bill (\$/week)	Change (%)
1996	10.07	
1997	10.51	4.4
1998	10.88	3.5
1999	11.15	2.5
2000	11.53	3.4
2001	11.93	3.5

Based on water, wastewater and stormwater services for a residential customer with an average usage of 240kL pa.

Impacts of determinations on non-residential customers

This section provides an assessment of the impacts of the determinations that were applicable in 2000/2001 on non-residential customers in NSW.

Electricity

National Competition reform is introducing contestability progressively into the electricity market. During the year Non-residential customers consuming 100-160 MWh per year became contestable. Customers consuming between 40-100MWh per year became contestable on 1 July 2001. Data on average prices for franchise business customers is misleading as variations in prices would largely reflect the change in the franchise customer base rather than the price paid by franchise customers.

Gas

Following the extension of contestability to residential customers from 1 July 2000 all gas customers are now contestable. However, due to the lack of FRC systems effective competition is not expected to commence until 2002. Under the tariff plan agreed with the Tribunal AGL will offer a default tariff that will not increase by more than CPI + 3% to industrial and commercial customers consuming less than 1TJ per annum.

Impacts of IPART determinations

continued...

Water

Table 5 shows that the revenue per kL of water sold has decreased in real terms for both SWC and HWC for the financial year ending June 2001.

Bulk Water

The Tribunal released a determination for bulk water prices to commence on 1 July 2000. This determination will result in an average increase in bulk water prices of 8% across all water sources.

Table 5 – Revenue per kL of water paid.

Financial Year Ending June	Real revenue (\$/kL)	Real Change (%)	Nominal revenue (\$/kL)	Nominal Change (%)
Sydney Water Corporation				
1997	2.50	-2.4%	2.26	-1.0%
1998	2.31	-7.7%	2.09	-7.6%
1999	2.08	-9.8%	1.92	-8.3%
2000	2.00	-4.1%	1.88	-1.8%
2001	1.90	-4.9%	1.90	1.05%
Hunter Water Corporation				
1997	1.32	2.1%	1.19	3.5%
1998	1.34	2.1%	1.21	2.2%
1999	1.40	4.3%	1.29	6.0%
2000	1.43	2.0%	1.34	4.4%
2001	1.40	-2.0%	1.40	4.1%

Future Directions

– added responsibilities

New responsibilities: full retail competition reforms

Full retail competition (FRC) in the NSW electricity and gas market introduces a number of new regulatory risks, such as unrequested transfers ('slamming') and unethical conduct in direct marketing to consumers.

Drawing on interstate and overseas experience, Treasury's Market Implementation Group has created a comprehensive new regulatory regime that addresses these risks.

The new regulatory regime in essence is very prescriptive. It will be no small task to put into practice the set of legislation, regulations, industry codes and market operations rules. In addition, the regulatory role extends well beyond the initial implementation of the new regime. The effects of the prescription will be lost if active compliance and enforcement is lacking. Overseas experience indicates that effective, ongoing monitoring, reporting and enforcement are essential.

As licence compliance regulator, IPART will monitor, report on and enforce compliance with a large proportion of the new FRC-related provisions. The new regulatory regime requires a significantly more active role for the regulator.

The Tribunal anticipates that the compliance reports will need to be supplemented by other 'real-time' checks and a prominent customer complaints service.

Experience in the UK indicates that the complaints handling role will require a significant commitment of resources.

While the Energy and Water Ombudsman of NSW is the main contact for energy customer complaints, the Tribunal will investigate, report on and (if necessary) enforce any associated breaches of licence conditions.

Recent legislative amendments have given the Tribunal powers to administer and audit licences for the Electricity, Gas and Water industries in NSW. Specifically, the Tribunal now has powers to:¹

- ▼ recommend that the relevant Minister grant, vary, transfer or cancel licences and authorisations
- ▼ recommend that the relevant Minister impose, vary or cancel licence or authorisation conditions
- ▼ monitor and report to the Minister on compliance
- ▼ recommend that the relevant Minister impose sanctions or require remedial action for any breach
- ▼ impose small sanctions or require remedial action (to the value of \$10,000 on day 1 and \$1,000/day thereafter).

To support the Tribunal's licence auditing role, the Minister can require licence and authorisation holders to provide information, documents and evidence to the Tribunal.

If the licensing regime is to be an effective tool for identifying and solving problems associated with FRC, it will probably be necessary for IPART to be given some additional investigatory and enforcement powers.

Metrology coordination

On 1 January 2002, The Tribunal will be assigned the role of "Metrology Coordinator".

Changes to the National Electricity Code (the Code) have been made that allow the introduction of forms of metering that are more cost effective than remotely read interval meters to facilitate the introduction of full retail competition (FRC).

A metrology coordinator is responsible for the metrology procedures for metering. The specific metering responsibilities under the Code are the design and approval of Metrology Procedures for various metering types. Metrology Procedures are technical documents that describe the rules, processes, and algorithms needed to take energy data from the meter and consolidate and transform it into a form suitable for settlement of the wholesale market.

The Market Implementation Group (MIG) was appointed Metrology Coordinator by the Minister until the date of FRC. The Code states that the Jurisdictional Regulator (IPART) must be appointed Metrology Coordinator no later than the date of FRC. The Government has declared that FRC will be introduced on 1 January 2002. At this date the Minister will appoint the Tribunal as Metrology Coordinator.

MIG is required under the Code to develop the initial Metrology Procedures. They must then send the approved metrology procedures to the National Electricity Market Management Company (NEMMCO). MIG have publicised a draft of the Metrology Procedure on the NEMMCO website, requesting feedback from interested parties.

IPARTs' role

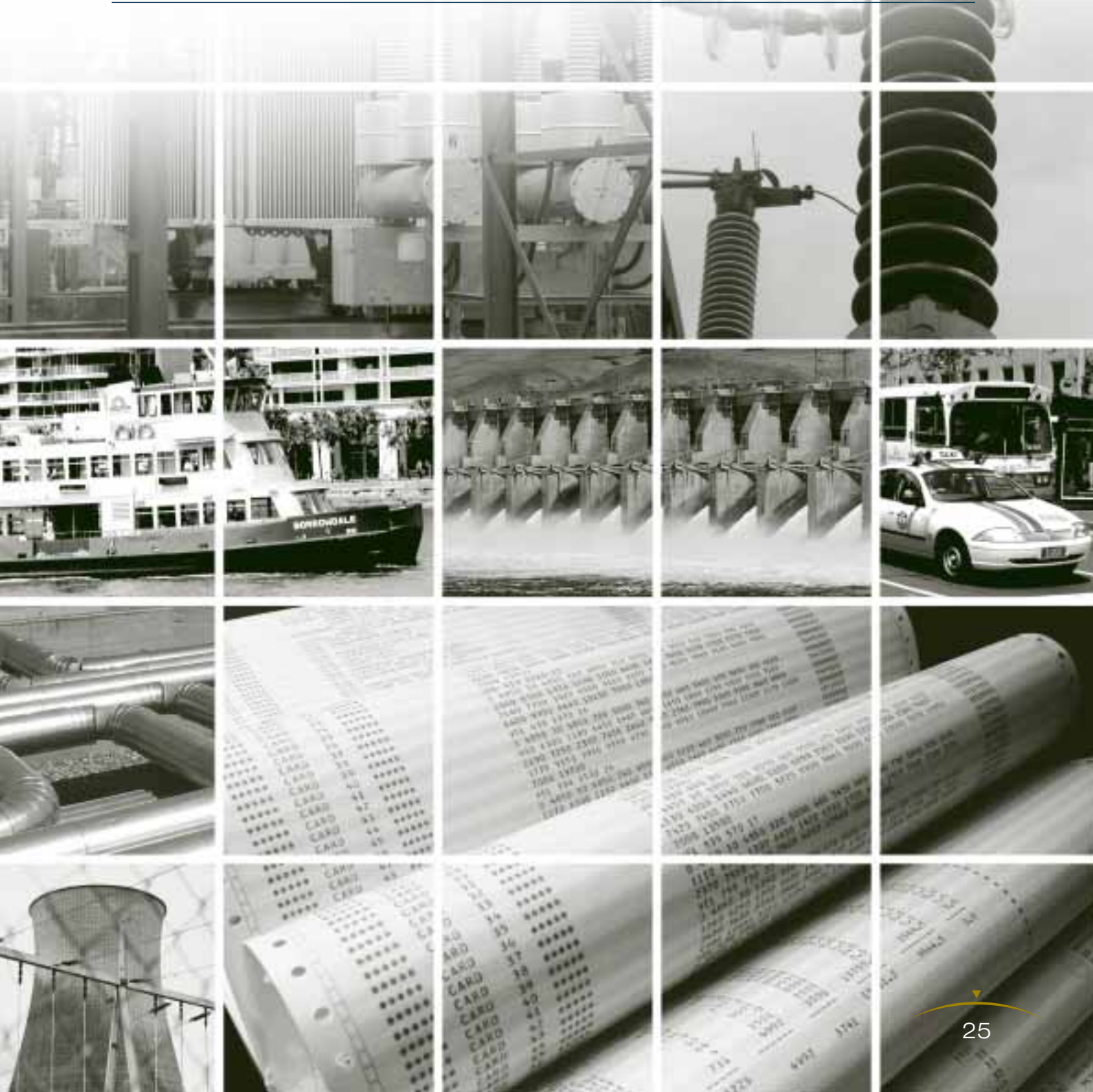
The Tribunal will become the Metrology coordinator on or before the date of FRC. Under the Code, IPART must review the approved Metrology Procedure created by MIG within six months of the Tribunal becoming Metrology Coordinator. The Tribunal is then responsible for reviewing and approving changes to the metrology procedures.

By 1 July 2002, the Tribunal will:

- ▼ Complete a review of the initial metrology procedures that are in place.
- ▼ Assess the initial metrology procedures against the following objectives:
 - the promotion of an efficient market;
 - the avoidance of unreasonable discrimination between Market Participants;
 - minimisation of the barriers to entry for competing retailers; and
 - technical soundness and economic efficiency.

1. Electricity Supply Act 1995 Sections 77 & 87, Gas Supply Act 1996 Sections 13A, 42A & 75A, Sydney Water Act 1994 Sections 19A, 28 & 31, Sydney Catchment Management Act 1998 Sections 29A, 30A & 31, Hunter Water Act 1991 Sections 17A, 18A & 18B.

▼ <i>Independent Audit Report</i>	page 26
▼ <i>Statement on behalf of the Independent Pricing and Regulatory Tribunal</i>	27
▼ <i>Statement of Financial Performance</i>	28
▼ <i>Statement of Financial Position</i>	29
▼ <i>Statement of Cash Flows</i>	30
▼ <i>Program Statement – Expenses and Revenues</i>	31
▼ <i>Summary of Compliance with Financial Directives</i>	32
▼ <i>Notes accompanying and forming part of the Financial Statements</i>	33





BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

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

Scope

I have audited the accounts of the Independent Pricing and Regulatory Tribunal for the year ended 30 June 2001. The members of the Tribunal are responsible for the financial report consisting of the statement of financial position, statement of financial performance, statement of cash flows, program statement – expenses and revenues and summary of compliance with financial directives, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and members of the Tribunal based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983* (the Act). My responsibility does not extend to an assessment of the assumptions used in formulating budget figures disclosed in the financial report.

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance 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.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the financial position of the Independent Pricing and Regulatory Tribunal, 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 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 Independent Pricing and Regulatory Tribunal as at 30 June 2001 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in black ink, appearing to read 'P. Carr'.

P. Carr, FCPA
Director of Audit

(duly authorised by the Auditor-General of New South Wales
under section 41C(1A) of the Act)

SYDNEY
12 September 2001



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

**STATEMENT ON BEHALF
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 1983*, 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 as at 30 June 2001 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

James Cox
Member

20 August 2001

Level 2, 44 Market Street, Sydney NSW 2000. All correspondence to: PO Box Q290, QVB Post Office, NSW 1230
Tel: (02) 9290 8400 Fax: (02) 9290 2061 Email: ipart@ipart.nsw.gov.au

Statement of Financial Performance



for the year ended 30 June 2001

	Notes	Actual 2001 \$'000	Budget 2001 \$'000	Actual 2000 \$'000
Expenses				
Operating expenses:				
Employee related	2(a)	4,404	4,905	3,885
Other operating expenses	2(b)	3,162	2,168	2,278
Maintenance	2(c)	35	21	28
Depreciation and amortisation	2(d)	149	136	138
Grants and subsidies	2(e)	0	0	
Borrowing costs	2(f)	0		
Other expenses	2(g)	0		
Total Expenses		7,750	7,230	6,329
Less:				
Retained Revenue				
Sale of goods and services	3(a)	465	100	644
Investment income	3(b)	51	10	17
Other revenue	3(c)	53	48	51
Total Retained Revenue		569	158	712
Gain/(loss) on disposal of non-current assets	4	(6)	0	(2)
NET COST OF SERVICES	19	7,187	7,072	5,619
Government Contributions:				
Recurrent appropriation	5	7,009	6,662	5,156
Capital appropriation	5	202	74	70
(Asset sale proceeds transferred to the Crown Entity)				
Acceptance by the Crown Entity of				
employee entitlements and other liabilities	6	442	302	422
Repayment of appropriations	6			
Total Government Contributions		7,653	7,038	5,648
SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES		466	(34)	29
TOTAL REVENUES, EXPENSES AND VALUATION				
ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		0	0	0
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	15	466	(34)	29

[The accompanying notes form part of these statements]

No provision for doubtful debts has been provided as all debts are considered to be collectable.

as at 30 June 2001

	Notes	Actual 2001 \$'000	Budget 2001 \$'000	Actual 2000 \$'000
ASSETS				
Current Assets				
Cash	8	640	431	449
Receivables	9	378	123	123
Other	11	0	8	8
Total Current Assets		1,018	562	580
Non Current Assets				
Property, Plant and Equipment				
Plant and Equipment	10	462	279	341
Total Property, Plant and Equipment		462	279	341
Total Non-Current Assets		462	279	341
Total Assets		1,480	841	921
LIABILITIES				
Current Liabilities				
Payables	12	271	265	311
Employee entitlements and other provisions	13	660	549	549
Other	14	102	51	51
Total Current Liabilities		1,033	865	911
Non-Current Liabilities				
Other	14	0	29	29
Total Non-Current Liabilities		0	29	29
Total Liabilities		1,033	894	940
Net Assets		447	(53)	(19)
EQUITY				
Accumulated Funds	15	447	(53)	(19)
Total Equity		447	(53)	(19)

[The accompanying notes form part of these statements]

Statement of Cash Flows

for the year ended 30 June 2001

	Notes	Actual 2001 \$'000	Budget 2001 \$'000	Actual 2000 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(3,973)	(3,729)	(3,442)
Other		(3,715)	(2,035)	(2,432)
Total Payments		(7,688)	(5,764)	(5,874)
Receipts				
Sale of goods and services		290	100	585
Interest received		30	0	22
Other		361	58	4
Total Receipts		681	158	611
Cash Flows from Government				
Recurrent appropriation		7,009	5,478	5,156
Capital appropriation		274	74	75
Cash reimbursements from the Crown Entity		122	110	110
Cash transfers to the Consolidated Fund		(5)	0	0
Net Cash Flow From Government		7,400	5,662	5,341
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	393	56	78
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from sale of Land and Buildings, Plant and Equipment and Infrastructure Systems		0	0	1
Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems		(202)	(74)	(71)
NET CASH FLOWS USED ON INVESTING ACTIVITIES		(202)	(74)	(70)
NET INCREASE/(DECREASE) IN CASH		191	(18)	8
Opening cash and cash equivalents		449	449	441
CLOSING CASH AND CASH EQUIVALENTS	8	640	431	449

[The accompanying notes form part of these statements]

Supplementary Financial Statements

Program Statement - Expenses and Revenues

for the year ended 30 June 2001

Expenses & Revenues	Program 1	
	2001 \$'000	2000 \$'000
Expenses		
Operating Expenses:		
Employee Related	4,404	3,885
Other Operating Expenses	3,162	2,278
Maintenance	35	28
Depreciation	149	138
Total Expenses	7,750	6,329
Retained Revenue:		
Sale of Goods and Services	465	644
Investment Income	51	17
Other Revenue	53	51
Total Retained Revenue	569	712
Gain/(Loss) on Disposal of of Non-current assets	(6)	(2)
NET COST OF SERVICES	7,187	5,619
Government Contributions	7,653	5,648
NET EXPENDITURE/(REVENUE) FOR THE YEAR	(466)	(29)

Administered Revenues	Program 1	
	2001 \$'000	2000 \$'000
Consolidated Fund		
Electricity Retail Supplier Licences	220	0
Electricity Retail Distributor Licences	110	0
Gas Supplier Authorisations	2	0
Application Fees	4	0
Total Administrated Revenues	336	0

The name and purpose of the program is summarised in Note 7.

Summary of Compliance with Financial Directives

for the year ended 30 June 2001

	2001				2000			
	Recurrent Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Recurrent Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000
Original Budget Appropriation/Expenditure								
Appropriation Act	5,478	5,475	74	74	5,134	5,134	75	70
Sections 24 PF&AA Transfer of functions between departments	1,184	884	0	0	0	0	0	0
	6,662	6,359	74	74	5,134	5,134	75	70
Other Appropriation/ Expenditure								
Treasurer's Advance	650	650	200	128	0	0	0	0
Section 22 – expenditure for certain works and services	0	0	0	0	22	22	0	0
	650	650	200	128	22	22	0	0
Total Appropriations/ Expenditure (includes transfer payments)	7,312	7,009	274	202	5,156	5,156	75	70
Amount drawn down against Appropriation		7,009		274		5,156		75
Liability to Consolidated Fund		0		72		0		5

Notes to Summary of Compliance with Financial Directives

- (a) The summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).
- (b) The Liability to Consolidated Fund represents the difference between the "Amount drawdown against Appropriations" and the "Total expenditure/Net claim on Consolidated Fund".

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

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.

The Tribunal is a single program entity, and the financial operations disclosed in the Statement of Financial Performance and Statement of Financial Position are those of the Tribunal program. A separate supplementary program statement has been prepared to disclose the administered activities.

The Tribunal is consolidated as part of the N.S.W. Total State Sector and as part of the N.S.W. Public Accounts.

(b) Basis of Accounting

The Tribunal's financial statements are a general purpose financial report which has been prepared on an accrual basis and in accordance with:

- ▼ applicable Australian Accounting Standards;
- ▼ other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- ▼ Urgent Issues Group (UIG) Consensus Views;
- ▼ the requirements of the Public Finance and Audit Act 1983 and Regulations; and
- ▼ the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector 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.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 Accounting Policies is considered.

The financial statements are prepared in accordance with 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.

(c) Administered Activities

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

Transactions and balances relating to the administered activities are not recognised as the Tribunal's revenues, expenses, assets and liabilities, but are disclosed in these notes as Administered Assets Liabilities, Note 20 and Administered Revenue-Schedule of Uncollected Amounts, Note 21.

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

The administered activities function was transferred to the Tribunal from the Ministry of Energy and Utilities in this reporting period.

(d) Revenue Recognition

Revenue is recognised when the Tribunal has control of the good, or right to receive, it is probable that the economic benefit will flow to the Tribunal, and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary Appropriations and contributions from other bodies are generally recognised as revenues when the Tribunal obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, any unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 14 as part of 'other current liabilities'. The amount will be repaid and the liability will be extinguished next financial year.

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

(ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services ie user charges. User charges are recognised as revenue when the Tribunal obtains control of the assets that result from them.

(iii) Rendering of Services

Revenue from the rendering of services is recognised as and when services have been rendered and there is a valid claim against external parties, whether or not cash has been received.

(iii) Investment Income

Interest revenue is recognised as it accrues.

(iv) Grants and Contributions

Revenues arising from the contribution of assets to the Tribunal are recognised when the Tribunal gains control of an asset or the right to receive the asset.

(v) Acceptance of liability by the Crown Entity

Refer to Note 1(e) for Acceptance by the Crown Entity of Employee Entitlements and Other Liabilities.

(e) Employee Entitlements

(i) Wages and Salaries, Annual Leave, Sick Leave and On-Costs

Liabilities for wages and 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 benefits 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 Entity. The Tribunal accounts for the liability as having being extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as Acceptance by the Crown Entity of employee entitlements and other liabilities.

Long service leave is measured on a nominal basis. The nominal method is based on remuneration rates at 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 the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Authorities Superannuation Fund 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.

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

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

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

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

(h) 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 assets given as consideration plus the costs incidental to the acquisition.

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.

(i) Plant and Equipment

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

(j) 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 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.

(k) Depreciation of Non-Current Physical Assets

Depreciation is provided for on a straight line basis for 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%
Fixtures and Fittings	10.000%
Leasehold improvements over the lesser of the period of lease or the useful life of the improvements	

(l) Maintenance and repairs

The cost of maintenance is charged as expenses are incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

(m) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease.

The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense. Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

(n) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities (or equity instruments) of either the Tribunal or its counterparts. These include Cash at Bank, Receivables and Accounts Payable. Classes of instruments are recorded at cost and are carried at net fair value.

The terms, conditions and accounting policies applied by the Tribunal in relation to Financial Instruments are set out in Note 23.

(n) Receivables

Receivables are recognised and carried at the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(o) Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

(q) Reclassification of financial information

As a result of applying AAS1 Statement of Financial Performance and AAS36 Statement of Financial Position, the format of the Statement of Financial Performance (previously referred to as Operating Statement) and the Statement of Financial Position has been amended. As a result of applying these Accounting Standards, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

(r) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effect of additional appropriations, s21A, s24 and/or s26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above).

However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts (rather than carried forward estimates).

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

2. EXPENSES

2(a) EMPLOYEE RELATED EXPENSES

Employee related expenses comprise the following specific items:

Salaries and wages (including Recreation Leave)	3,713	3,254
Superannuation	268	331
Payroll tax on superannuation	17	18
Long service leave	157	74
Workers compensation Insurance	16	15
Payroll and fringe benefits tax	233	193
	4,404	3,885

Employee related expenses includes \$56,938 in payments to temporary members of the Tribunal. There was no employee related expense included in maintenance expense and/or capitalised.

2(b) OTHER OPERATING EXPENSES

Auditor's remuneration (audit or review of the financial reports)	21	22
Operating lease rental expense – minimum lease payments	324	255
Insurance	7	6
Corporate services	89	75
Consultancies	1,512	1,142
Travel expenses	71	58
EDP expenses	391	77
Legal fees	229	67
Other operating expenses	518	576
	3,162	2,278

Consultancy charges totalling \$408,412 (\$331,005 in 1999-00) were recovered from Tribunal clients.

These amounts are recognised under Sale of Goods and Services.

2(c) MAINTENANCE

Repairs and maintenance	35	28
	35	28

2(d) DEPRECIATION AND AMORTISATION

Depreciation		
Plant and Equipment	149	138
	149	138

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

3. REVENUES

(a) Sale of goods and services

Rendering of services (reimbursement of both external consultancies and in-house costs)

465

644

465

644

(b) Investment income

Interest

51

17

51

17

(c) Other revenue

Lease incentive amortisation

46

46

Other

7

5

53

51

4. GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

Proceeds from disposal

0

1

Written down value of assets disposed

(6)

(3)

(6)

(2)

5. APPROPRIATIONS

Recurrent appropriations

Total recurrent drawdowns from Treasury (per Summary of Compliance)

7,009

5,156

Less: Liability to Consolidated Fund (per Summary of Compliance)

0

0

7,009

5,156

Comprising:

Recurrent appropriations (per Statement of Financial Performance)

7,009

5,156

Total

7,009

5,156

Capital appropriations

Total capital drawdowns from Treasury (per Summary of Compliance)

274

75

Less: Liability to Consolidated Fund (per Summary of Compliance)

72

5

202

70

Comprising:

Capital appropriations (per Statement of Financial Performance)

202

70

Transfer payments

0

0

Total

202

70

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

6. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE ENTITLEMENTS AND OTHER LIABILITIES

The following liabilities and/or expenses have been assumed by the Crown Entity.

Superannuation	268	330
Long service leave	157	74
Payroll Tax	17	18
	442	422

7. PROGRAMS/ACTIVITIES OF THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL

Program 1 - Pricing Regulation

Objective: To provide independent assessments of pricing and associated activities including setting maximum prices and undertaking pricing reviews of monopoly services supplied by government agencies.

To regulate natural gas pricing and third party access to gas networks, undertake general reviews of industry, pricing or competition and to register agreements for access to infrastructure assets and to arbitrate in disputes arising from such agreements.

8. CURRENT ASSETS - Cash

Cash comprises:

Cash at bank and on hand	640	449
	640	449

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and bank overdraft.

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

Cash (per Statement of Financial Position)	640	449
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	640	449

9. CURRENT ASSETS - Receivables

Current Receivables comprise:

Sale of goods and services	271	96
Interest Receivable	29	8
GST receivable from Australian Taxation Office	65	1
Other	13	18
	378	123

No provision has been made for doubtful debts as all amounts are considered to be collectable.

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

10. NON CURRENT ASSETS

- Property, Plant and Equipment

Plant and Equipment

At Cost

Accumulated Depreciation at Cost

Total Property, Plant and Equipment at Net Book Value

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

Plant and Equipment

Carrying amount at start of year

Additions

Disposals

Depreciation expense

Carrying amount at end of year

The Tribunal continues to derive service potential and economic benefits from the following fully depreciated assets:

	Number	Cost
Computer Hardware	14	\$46,332
Office Equipment	5	\$19,968

11. CURRENT ASSETS - Other

Prepayments

12. CURRENT LIABILITIES - Payables

Current Liabilities - Payables

Creditors

13. CURRENT LIABILITIES - Employee Entitlements

Recreation leave

Accrued salaries and wages

Accrued employee related payments

Aggregate employee entitlements

	2001 \$'000	2000 \$'000
At Cost	1,001	835
Accumulated Depreciation at Cost	539	494
	462	341
Total Property, Plant and Equipment at Net Book Value	462	341
Carrying amount at start of year	341	406
Additions	276	75
Disposals	(6)	(2)
Depreciation expense	(149)	(138)
Carrying amount at end of year	462	341
Prepayments	0	8
	0	8
Creditors	271	311
	271	311
Recreation leave	477	405
Accrued salaries and wages	94	59
Accrued employee related payments	89	85
Aggregate employee entitlements	660	549

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

14. CURRENT/NON CURRENT LIABILITIES - Other

Current

Liability to Consolidated Fund

Lease incentive

Non-Current

Lease incentive

	2001 \$'000	2000 \$'000
Liability to Consolidated Fund	72	5
Lease incentive	30	46
	102	51
Non-Current		
Lease incentive	0	29
	102	80

15. CHANGES IN EQUITY

Accumulated Funds

Balance at the beginning of the financial year

Changes in equity-transactions with owners as owners

Surplus/(deficit) for the year

Balance at the end of the financial year

Balance at the beginning of the financial year	(19)	(48)
Changes in equity-transactions with owners as owners		
Surplus/(deficit) for the year	466	29
Balance at the end of the financial year	447	(19)

16. COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

Aggregate capital expenditure for the acquisition of plant and equipment contracted for at balance date and not provided for:

Not later than one year

Total (including GST)

Not later than one year	6	3
Total (including GST)	6	3

(b) Other Expenditure Commitments

Not later than one year

Total (including GST)

Not later than one year	1	3
Total (including GST)	1	3

(c) Operating Lease Commitments

Office accommodation lease for levels 2 and 6, 44 Market Street Sydney expiring in March 2002.

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year

Later than one year and not later than five years

Later than five years

Total (including GST)

Not later than one year	262	391
Later than one year and not later than five years	0	260
Later than five years	0	0
Total (including GST)	262	651

Contingent Asset

The total Commitments above include input tax credits of \$6,000 that are expected to be recoverable from the ATO.

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

17. CONTINGENT LIABILITIES

The Tribunal is not aware of any contingent liabilities associated with its operations.

18. BUDGET REVIEW

Net Cost of Services

Actual Net Cost of Services was higher than budget by \$115,000. This was primarily due to increased expenditure on consultancies resulting from the increase in complexity and number of regulatory responsibilities, and also lower than budgeted Employee Related Expenditure due to delays in the recruitment of new staff. The higher expenditure was partially off-set by revenue received as a number of the consultancies were provided to outside agencies.

Assets and Liabilities

Current Assets:

Closing Cash balance exceeds budget by \$209,000, and closing Receivables balance exceeds budget by \$255,000. This is due to higher than budgeted level of revenue generated by increase in consultancies for outside agencies.

Non-Current Assets:

The balance of Plant and Equipment was \$183,000 more than budget, due to increased expenditure on equipment for additional staff. This was funded by a \$200,000 supplementation of the Capital Appropriation.

Current Liabilities:

The Employee Entitlements were \$111,000 higher than budget due to the increase in staff from the transfer of utility regulator functions from Ministry for Energy and Utilities to the Tribunal.

Cash Flows

Cash flows from operating activities were \$393,000 as compared to a budget of \$56,000 primarily due to the higher than budgeted level of revenue referred to above. This resulted in a favourable net revenue performance.

Cash flows used on investing activities were \$202,000 as compared to a budget of \$74,000 due to the increased purchases of equipment for additional staff.

19. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

Reconciliation of cash flows from operating activities to the net cost of services as reported in the Statement of Financial Performance

Net Cash from operating activities

Cash Flows from Government / Appropriations	(7,405)	(5,341)
Acceptance by the Crown Entity of employee entitlements and other liabilities	(320)	(312)
Depreciation	(149)	(138)
Net (loss) / gain on sale of plant and equipment	(6)	(2)
Decrease/(increase) in provisions	(111)	(131)
Increase/ (decrease) in prepayments and other assets	247	62
Decrease/ (increase) in creditors	114	119
Decrease/ (increase) in other liabilities	50	46

Net Cost of Services

	2001 \$'000	2000 \$'000
Net Cash from operating activities	393	78
Cash Flows from Government / Appropriations	(7,405)	(5,341)
Acceptance by the Crown Entity of employee entitlements and other liabilities	(320)	(312)
Depreciation	(149)	(138)
Net (loss) / gain on sale of plant and equipment	(6)	(2)
Decrease/(increase) in provisions	(111)	(131)
Increase/ (decrease) in prepayments and other assets	247	62
Decrease/ (increase) in creditors	114	119
Decrease/ (increase) in other liabilities	50	46
Net Cost of Services	(7,187)	(5,619)

Notes Accompanying and Forming Part of the Financial Statements

for the financial year ended 30 June 2001

20. ADMINISTERED ASSETS AND LIABILITIES

Administered Assets

Receivables

Total Administered Assets

Administered Liabilities

Liability to Consolidated Fund

Total Administered Liabilities

	2001 \$'000	2000 \$'000
Receivables	80	0
Total Administered Assets	80	0
Liability to Consolidated Fund	80	0
Total Administered Liabilities	80	0

21. ADMINISTERED REVENUE - SCHEDULE OF UNCOLLECTED AMOUNTS

Electricity Retail Supplier Licences

Not later than one year

Not later than one year	80	0
Total	80	0

22. FINANCIAL INSTRUMENTS

Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee to Treasury. The average rate over the year was 4.83% (4.2475% in 1999-00) and at year end the rate was 4.00% (5.005% at 30 June 2000).

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

Bank Overdraft

The Tribunal does not have any bank overdraft facility.

Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received.

Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest was applied during the year (nil in 1999-2000).

(END OF AUDITED FINANCIAL STATEMENTS)

Appendix 1

Legislative Provisions

IPART was established under the Independent Pricing and Regulatory Tribunal Act 1992. IPART performs functions under this Act and the Gas Supply Act 1996, Electricity Supply Act 1995, Hunter Water Act 1995, Sydney Water Act 1994, and the Sydney Water Catchment Management Act 1998.

IPART also has significant functions under the National Electricity Code and the National Third Party Access Code for Natural Gas Pipeline Systems.

Independent Pricing and Regulatory Tribunal Act 1992

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

Under this Act IPART has six major roles:

- ▼ regulating prices and reviewing pricing policies of government monopoly services;
- ▼ reviewing industries, pricing or competition;
- ▼ arbitrating access disputes in relation to public infrastructure access regimes;
- ▼ registering access agreements;
- ▼ licence regulation (from November 2000); and
- ▼ complaints under the competitive neutrality regime.

Price regulation and pricing policy reviews of government monopoly services

Government monopoly services

IPART's powers relate only to the maximum prices of government monopoly services supplied by NSW government agencies. IPART does not regulate the prices of government services in competitive markets.

IPART has responsibility for setting maximum 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 contestable market by potential suppliers in the short term in that part of the market.

Eight declarations are currently effective under Section 4 at 30 June 1998. 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).

What IPART can do

For declared government monopoly services, IPART is empowered to:

- ▼ determine the maximum price (or a methodology for fixing the maximum price) for the service (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 IPART's investigations can be initiated.

(a) Standing references

Schedule 1 of the Act lists a number of government agencies for which IPART has a standing reference (see list below). Under Section 11 IPART may initiate investigations of declared services supplied by these standing reference agencies.

(b) References by the Premier

Under Section 12 of the Act the Premier may require IPART 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.

IPART 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, *IPART 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 IPART's activities are conducted through a public process. *The main requirement is that IPART must hold at least one public hearing for each investigation*. IPART 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));
- ▼ releasing reports and determinations to the public (Section 19(1));
- ▼ publicly reporting compliance by agencies (Section 18(4)).

IPART must make a document available for inspection on request unless the document is an exempt document under *the Freedom of Information Act 1989*. (Section 22A) If it is exempt, IPART has a discretion to release it following consultation, and if satisfied that it will not damage commercial or other interests.

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

Matters to be considered by IPART

Under Section 15, IPART is required to consider a range of issues when making determinations and recommendations. These can be summarised as:

- ▼ the cost of providing the services concerned;
- ▼ protection of consumers from abuses of monopoly power;
- ▼ an appropriate rate of return;
- ▼ the effect on general price inflation;
- ▼ the need for greater efficiency;
- ▼ the need to maintain ecologically sustainable development;

Appendix 1

continued...

- ▼ the impact on pricing of borrowing, capital and dividend requirements;
- ▼ the impact on pricing of arrangements for the exercise of an agency's functions by some other person or body;
- ▼ the need to promote competition;
- ▼ considerations of demand management;
- ▼ the social impact of the determinations or recommendations;
- ▼ standards of quality, reliability and safety.

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

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

How IPART sets maximum prices

IPART may fix maximum prices in the following ways:

▼ *Determining maximum prices*

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

- setting specific prices (or average prices) for individual services;
- increasing or decreasing prices for individual services or groups of services;
- setting a rate of return on assets;
- referring to a general price index such as the CPI.

▼ *Establishing a methodology for determining maximum prices*

If IPART considers that it is impracticable to make a determination of maximum prices as in (a), under Section 14A it may determine a methodology to be used by the agency to fix the maximum price. This provision was added during 1994/1995.

▼ *Passing through Efficient Costs*

In determining the maximum price for a government monopoly service, IPART may be directed by a Portfolio Minister to include an amount representing the efficient cost of a requirement imposed on the agency. The requirement must relate to either a condition imposed under a licence or authorisation, a Ministerial direction under an Act, or some other requirement imposed under an Act or statutory instrument. Section 16A has been inserted into the IPART Act accordingly.

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

Release of reports and determinations

IPART submits its reports to the Premier. Any determination must be published in the NSW Government 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 IPART 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 IPART be notified of access agreements that are being negotiated. IPART may provide advice to the Premier on such agreements. IPART 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 IPART. Currently Part 4A applies to access to gas, rail and electricity infrastructure. In carrying out these arbitration functions, IPART may appoint an arbitrator from a panel approved by the Premier¹ or may undertake the arbitration itself (Section 24B). IPART'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.

Provision of assistance to other agencies

Subject to the Premier's approval, the Tribunal may provide services to any government agency, body or person in areas that are within the Tribunal's field of expertise and relevant to its functions (Section 9).

In entering into any arrangement for IPART to provide services, IPART has a duty of care to ensure that giving effect to the arrangement will not interfere with its ability to exercise its normal functions.

Competitive Neutrality

The Government has assigned IPART part responsibility for investigating and reporting in respect to competitive neutrality complaints, under the Competition Principles Agreement. Under certain conditions, the Minister may refer to IPART a complaint about a public trading agency's failure to comply with competitive neutrality principles, or about how an agency is applying competitive neutrality principles in relation to any or all of its trading activities. IPART is required to investigate and report (including making the report publicly available) on any such complaint referred by the Minister. The IPART Act has been amended accordingly, and lays down the processes IPART is to follow in investigating such a complaint.

Licence Regulation

IPART now has responsibility for ensuring regulated entities are meeting their licence requirements for quality of product, environment impact and consumer protection.

Under new powers contained in the ancillary Acts (*Electricity Supply Act 1995, Gas Supply Act 1996, Hunter Water Act 1991, Sydney Water Act 1994, Sydney Water Catchment Management Act 1998*), IPART has assumed responsibility for such matters as making recommendations to the Minister for or with respect to:

- ▼ the granting, variation, transfer or cancellation of a licence (or authorisation in the case of the gas industry)
- ▼ action to be taken and sanctions to be applied in respect of contravention of the conditions of a licence
- ▼ any remedial action that may be warranted as a result of a contravention of the conditions of a licence.

To fulfil this role, IPART will monitor licence compliance and will report annually to the Minister regarding such compliance. The Ministry continues to be responsible for policy making.

IPART has specific licence auditing responsibilities for the electricity and water industries.

In addition to making recommendations to the Minister, IPART has limited powers to impose fines or force a utility to take remedial action if the utility knowingly contravenes the conditions of a licence.

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

Appendix 1

...continued

Gas Supply Act 1996

The *Gas Supply Act 1996*, which was proclaimed in July 1996, provides for the abolition of the Gas Council of NSW, with economic and price regulation issues becoming the responsibility of the Independent Pricing and Regulatory Tribunal. IPART is also to be responsible for arranging third party access to gas networks in NSW and for arbitrating access disputes.

Access regulation functions of IPART previously undertaken under the Gas Supply Act are now undertaken under the National Gas Code (see below).

IPART continues to have the power to make gas pricing orders.

Gas pricing orders

Under section 27 of the Gas Supply Act, IPART is able to establish a pricing mechanism for delivered gas to tariff customers. Known as a gas pricing order, it enables IPART to:

- ▼ establish a methodology within which tariff customer prices for delivered gas must be set
- ▼ establish maximum tariffs or maximum average tariffs
- ▼ prohibit the imposition of certain charges.

It should be noted that any gas pricing order applicable to the delivered price of gas in a particular area applies to all retailers serving that area. This ensures that with competition among suppliers, any retailer supplying the area covered by a gas pricing order is subject to that order.

If gas suppliers are aggrieved with IPART's determination, they may request a review of pricing orders by a Review Panel appointed by the Minister for Energy. Notwithstanding the above, gas suppliers may apply for review of a pricing order by IPART twelve months from the date of the order.

National Gas Code

The National Third Party Access Code for Natural Gas Pipeline Systems, replaces the Third Party Access Code for Natural Gas Distribution Networks in NSW.

The National Gas Code deals with the coverage of pipelines, the establishment and content of access undertakings, ring fencing provisions, pricing principles and procedures for the arbitration of access disputes.

Appendix 2

Public Hearings and Submissions

During 2000/2001, the Tribunal held 64 meetings, 3 Public Hearings and 4 Public Workshops on 7 sitting days. The Chairman, Dr Thomas Parry, was present for 66 meetings and the full time member, Mr James Cox, for 67 meetings.

Other members attended Tribunal meetings according to their expertise and availability. Ms Cifuentes attended 61 meetings, 1 Public Hearing and 1 Public Workshop. Prof Warren Musgrave attended 6 meetings, 2 Public Hearings and 1 Public Workshop.

Date	Investigation	Venue
5 July 2000	Determination of Bulk Water Prices 2000 (Public Hearing)	Sydney
1 December 2000	Distribution Ring Fencing Guidelines (Public Workshop) Sydney	
23 February 2001	Review of System Performance Standards in Sydney Water Corporation's Operating Licence (Public Workshop)	Sydney
20 April 2001	Determination of Passenger Transport Fares 2001 (Public Hearing)	Sydney
22 June 2001	Determination of Bulk Water Prices 2001 (Public Hearing)	Sydney
29 June 2001	Determination of Bulk Water Prices 2001 (Public Workshop)	Armidale
6 July 2001	Determination of Bulk Water Prices 2001 (Public Workshop)	Griffith

Closure Date	Investigation	Submissions
14 July 2000	Sydney Water Corporation - Prices of Water Supply, Sewerage and Drainage Services	10
1 September 2000	Full Retail Contestability in Electricity	18
31 October 2000	Distribution Ring Fencing Guidelines	17
10 February 2001	Review of System Performance Standards and Customer Contract for Sydney Water Corporation	30
	Pricing Principles & Methodologies for Prescribed Electricity Distribution Services	6
23 March 2001	Determination of Passenger Transport Prices from 1 July 2001	159
11 May 2001	Determination of Bulk Water Prices from 1 July 2001	59
18 May 2001	Incorporation of Service Quality in the Regulation Utility Prices	12
1 June 2001	Rule – Unders and Overs Account	9
4 June 2001	Review of Gas Pricing in Albury, Wagga Wagga & Other Regional Centres	4

Commenced 2001 but not completed

18 July 2001	Application for Variation of Gas Reticulator's Authorisation	
24 August 2001	Draft Associate Contract Guidelines	8
31 August 2001	Demand Management & Other Options in the Provision of Energy Services	

Appendix 3

Publications

Electricity		
25 June 2001	Ring Fencing of New South Wales Electricity Distribution Network Service Providers – Draft Report	DP45 133k PDF
15 June 2001	Rule 2001/3 – Unders and Overs Account	NCR-7 41k PDF
June 2001	Clause 6.10.1(f) National Electricity Code Rule 2001/1 Miscellaneous Amendment Rule	NCR-3 8k PDF
23 May 2001	Draft Rule – Unders and Overs Account	NCR-6 31k PDF
28 Mar 2001	Pricing Principles and Methodologies for Prescribed Electricity Distribution Services – Developed Pursuant to clause 6.11(e) of Part E, Chapter 6 of the Code	NCR-5 112k PDF
16 Mar 2001	Electricity distribution and retail licences: compliance report for 1999/2000 – Report to the Minister for Energy	CP-2 132k PDF
19 Jan 2001	Clause 6.10.1(f) National Electricity Code Rule 2001/2 Charges for miscellaneous services provided by distribution network service providers	NCR-4 22k PDF
December 2000	Regulated retail prices for electricity to 2004	S9-4 471k PDF
December 2000	DRAFT – Pricing Principles and Methodologies for Prescribed Electricity Distribution Services – Developed pursuant to clause 6.11(e) of Part E, Chapter 6 of the Code	NCR-2 118k PDF
September 2000	Ring Fencing of New South Wales Electricity Distribution Network Service Providers – Discussion Paper and Draft Ring Fencing Guidelines	DP41 190k PDF
July 2000	Rule 2000/1 – Charges for Monopoly Services	NCR-1 40k PDF
Water		
8 June 2001	Water Industry Overview 2000	OP-9 201k PDF
10 May 2001	Review of Sydney Water Corporation's Customer Contract – Issues Paper	DP43 201k PDF
3 January 2001	Sydney Catchment Authority Operational Audit 1999/2000	CP-1a 1.2mb PDF CP-1b 982k PDF
19 December 2000	Review of System Performance Standards and Customer Contract for Sydney Water Corporation	DP42 100k PDF
21 September 2000	Sydney Water Corporation, Hunter Water Corporation, Gosford City Council and Wyong Shire Council – Developer Charges from 1 October 2000	Det00-9 188k PDF
13 September 2000	Department of Land and Water Conservation – Bulk Water Prices from 1 July 2000	Det00-7 154k PDF
12 September 2000	Sydney Catchment Authority – Prices of Water Supply – Medium-term price path from 1 October 2000	Det00-10 262k PDF
12 September 2000	Sydney Water Corporation – Prices of Water Supply, Sewerage and Drainage Services – Medium-term price path from 1 October 2000	Det00-8 485k PDF

Public Transport

June 2001	CityRail and STA Buses and Ferries – Public Transport Fares – from 1 July 2001	Det01-1&2 329k PDF
-----------	--	-----------------------

Gas

May 2001	Gas Pricing in Albury, Wagga Wagga and Other Regional Centres in NSW Supplied by Origin Energy and Great Southern Energy – Issues Paper	Gas01-03 136k PDF
March 2001	Application for approval of Associate Contract under Section 7.1, National Gas Code – Statement of Reasons for Decision	Gas01-02 81k PDF
March 2001	Application for approval of Associate Contract under Section 7.1, National Gas Code – Statement of Reasons for Decision	Gas01-02 81k PDF
March 2001	Final Report – Review of the Delivered Price of Natural Gas to Tariff Customers Served from the AGL Gas Network in NSW	Gas01-01 235k PDF
September 2000	Approval – Access Arrangement and Access Arrangement Information for AGL Gas Networks Limited Natural Gas System in NSW	Gas00-05 128k PDF
July 2000	Final Decision – Access Arrangement for AGL Gas Networks Limited Natural Gas System in NSW	Gas00-04 1,171k PDF

Other

June 2001	Review of Electricity and Gas Licensing Regimes in NSW – Issues Paper	DP44 295k PDF
March 2001	The Incorporation of Service Quality in the Regulation of Utility Prices – Prepared for IPART by The Allen Consulting Group	RP17 307k PDF
March 2001	Estimating the New Tax System Effect on the Consumer Price Index – Report prepared for IPART by Econtech Pty Ltd	OP-8 42k PDF

Annual Report

January 2001	Annual Report 1999/2000	AR99-00-1
	1 – Main	732k PDF
	2 – Finance	AR99-00-2
	3 – Appendices	509k PDF
		AR99-00-3
		353k PDF

Appendix 4

Staffing and Consultants

Staffing and Equal Opportunity Statistics

The Central Corporate Service Unit provides personnel support services to IPART. Aware that special factors may affect an organisation with a small number of staff, IPART has adopted the Premier's Department's EEO policy for its use. Current EEO outcomes and strategies include:

Outcomes	Strategies
Diverse & Skilled Workforce Agency profile reflects a diverse workforce	<ul style="list-style-type: none">▼ explore avenues for advertising job opportunities to attract target group members. <i>Highlights for 2000/01 include wide use of various web sites and overseas print media, including advertising through Aboriginal and Torres Strait Islander publications and with groups specialising on recruiting people with a disability.</i>▼ ensure that development opportunities are available to all staff. <i>Highlights for 2000/01 include development of capabilities maps for all staff in improved performance enhancement system (PES) and approval of study leave for 16% of staff. There was extensive in house training in project management and report writing.</i>
Fair Practices & Behaviours Implementation of workplace policies & procedures	<ul style="list-style-type: none">▼ ensure policies and procedures reflect EEO considerations. <i>Highlights for 2000/01 include the formal ratification of policies on EEO and discrimination, grievance resolution, probation, working from home, higher duties and professional standards.</i>▼ introduce awareness session to launch new/upgraded policies. <i>Highlights for 2000/01 include all-staff awareness sessions, formal training and presentations from other agencies.</i>
Improved Access and Participation Workforce committees to include target group participation	<ul style="list-style-type: none">▼ ensure that workplace programs include EEO representation review. <i>Highlights for 2000/01 include broad staff representation on the Joint Consultative Committee, workplace committee for the PES, the Knowledge Systems Group.</i>▼ encourage participation in spokeswoman's program. <i>Highlights for 2000/01 include release of staff for training and workshop attendance.</i>▼ encourage external development opportunities. <i>Highlights for 2000/01 include secondments to and from IPART and other private and public sector agencies.</i>

Contract Executive profile

All executive staff are employed under contract by IPART under Section 8(2) of the Independent Pricing and Regulatory Tribunal Act 1992. 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. Five executive positions, including two held by women, were filled at the end of the financial year.

New Awards

The new Crown Employees (Independent Pricing and Regulatory Tribunal 2000) Award commenced in January 2001 and remains in force for a period of three years. The award incorporates the principles for Approval of NSW Enterprise Agreements and information on reviewed awards including a clause on Anti-Discrimination.

A Memorandum of Understanding was issued at the same time as an adjunct to this award. The intent of the Memorandum is to provide improved and flexible workplace conditions.

Code of Conduct

IPART's staff operate under a Code of Conduct which can be found on IPART's website at www.ipart.nsw.gov.au. This code was supplemented in 2001 with a Professional Standards and Behaviour Policy specially written to address aspects of Tribunal requirements in a utility regulatory environment.

EEO statistics – total staff by level and employment basis (a)

Level	TOTAL STAFF (Number)	Subgroup Percentage			Subgroup Percentage			
		Response %	Men %	Women %	Aboriginal People & Torres Strait Islands %	People from Racial, Ethnic, Ethno-Religious Minority Groups %	People whose language first spoken as a child was not English %	People with a Disability %
Table 1 – Percent of Total Staff by Level								
< \$26,802								
\$26,802 – \$39,354	1	100	100					
\$39,355 – \$49,799	8	88	25	75	14	14		
\$49,800 – \$64,400	15	88	27	73	42	42	8	
> \$64,400 (non SES)	27	65	57	43	20	13		
SES		50	75	25				
TOTAL	51	73	45	55	23	20	2	
Estimated Subgroup Totals		37	23	28		12	10	1
Table 2 – Percent of Total Staff by Employment Basis								
Permanent								
Full time	38	78	50	50	23	23	3	
Part time	5	67		100	50	25		
Temporary								
Full time								
Part time	1			100				
Contract Executive Staff	7	50	75	25				
Casual								
TOTAL	51	73	45	55	24	21	3	
Estimated Subgroup Totals		37	23	28		12	11	1

Notes: 1. Table 1 does not include casual staff.

2. Figures for EEO groups other than women have been adjusted to compensate for the effects on non-response to the EEO data collections. EEO statistics reported in years prior to 1998 may not be comparable due to a change in the method of estimating EEO group representation.

Total staff numbers at 30 June 1998, 1999 and 2000 were 34, 38 and 38 respectively. Source: Parliamentary Annual Report EEO Tables.

Part-Time Work

Flexible work practices in the form of flexi-time and permanent part-time arrangements have proved beneficial for both the employee and the organisation, providing personal flexibility to enable staff members to balance their work and family responsibilities and allow the organisation to meet project deadlines.

Occupational Health and Safety

The Joint Consultative Committee also acts as IPART's Occupational Health and Safety Committee. Staff health and safety is a standing agenda item and a number of initiatives were pursued in 2000/2001. The Committee invited a representative from the National Safety Council of Australia to address staff on safety in the workplace. The presentation was followed by on site assessment of individual workstations.

The Influenza vaccine was made available for the first time to all staff this year. Service was provided by Healthquest, Workforce Health Management, and resulted in 34% of staff taking advantage of this health initiative.

Staff Amenities and Welfare

Representatives from a number of organisations were invited to address staff on their services and answer questions on services provided. These included sessions by the staff Credit Union, First State Super Scheme and the Employee Assistance Program.

Appendix 4

...continued

Corporate Plan

The main components of our revised business plan are shown at the beginning of this report. Progress in meeting corporate objectives is assessed for each program element in the main body of the report. The plan is available on request and may be viewed or downloaded from IPART's website.

Consultants

During 2000/2001 IPART engaged 28 consultants for a total expenditure of \$1,515,784.78 (work on some consultancies was proceeding at 30 June). There were 14 consultants engaged for values of less than \$30,000 (total of \$199, 678.71). Details of the 14 consultancies that had a value exceeding \$30,000 are shown below.

Consultancy Name	Project Description	Cost \$
ACIL Consultancy Pty Ltd	Review of resources management expenditure in the NSW Department of Land & Water Conservation & its State Water Business	54,142.00
ARTD Management & Research Consultants	IPART Stakeholder survey	44,050.00
Booz Allan Hamilton	Rail Access Corporation	226,800.00
Meritec Ltd	Review of Capital contributions in the Electricity Market	57,000.00
Egis Consulting Australia Pty Ltd	Operational Audit for Sydney Catchment Authority 2000/01	96,650.00
Halcrow Group Ltd	Review of System Performance Standards in Sydney Water Corporation's operating licence	148,500.00
Hyder Consulting Pty Ltd	Operational Audit of Hunter Water Corporation 2000/01	40,000.00
Joy London Consulting Pty Ltd	Review, redesign and pilot the IPART Performance Enhancement System	55,466.07
National Economic Research Associates	Retail gas prices in the area served by Great Southern Energy & Origin Energy	40,000.00
National Economic Research Associates	General Assistance to the Review of AGLRE's Retail Prices	70,000.00
National Economic Research Associates	General Assistance to the Review of Full Retail Competition in Electricity	250,000.00
Quest Worldwide (Asia Pacific) Pty Ltd	Project Management review	45,900
PricewaterhouseCoopers	Development of Business Plan for IPART	79,970.00
PricewaterhouseCoopers	Review of capital expenditure & operating expenditure in the NSW Department of Land & Water Conservation & its State Water Business	107,628.00
Total		\$1,316,106.07

Salaries of Statutory Appointees and Contract Executive

No performance-related payment (bonus) was made to Statutory Appointees and Contract Executive Staff. In accordance with Treasury Circular TC00/20, the names of officers, position held, and total salary packages (including superannuation) must be disclosed if salary packages exceed the minimum level of SES Level 5 (currently \$158,840). At IPART, this applies to:

Name	Position	Total Salary Package
Thomas G Parry	Chairperson	\$286,881
James Cox	Full Time Tribunal Member	\$204,340
Colin Reid	Director Water and Transport	\$165,000
Eric Groom	Director Analysis and Policy Development	\$160,000

External liaison

Details of the many working groups and forums which facilitate communication with external bodies are presented earlier in the report.

Overseas visits

Name	Destination	Dates	Reason for Travel	Cost
Mr Jim Cox Full Time Member	USA and the United Kingdom	8 July 2000 –30 July 2000	To present a paper at the Summer Committee meeting of the National Association of Public Utility Regulators and to meet selected regulators in the United States and the United Kingdom.	Aus \$13,762.36
Mrs Elsie Choy Program Manager – Gas	United Kingdom	16 September 2000 – 10 October 2000	To attend a two week study programme on Regulating Privatised Utilities run by the Public Administration International in conjunction with the University of Bath. Mrs Choy also attended meetings with the UK Gas Regulator, Rail Regulator, OFWAT, and the UK PricewaterhouseCoopers.	Aus \$21,662.74

External presentations

During the year the following external presentations on the role and work of IPART were made by Tribunal Members and Secretariat staff:

Dr Thomas G Parry, Chairman

- ▼ Access Symposium, Law Council of Australia, Melbourne, 28 July 2000
- ▼ Role of Regulator, IBC Conference on Energy Regulation, Melbourne, 30 April 2001

Mr James Cox, Full time Member

The National Association of Public Utility Regulators International Committee and Electricity Committee, Los Angeles, United States of America, 23 July 2000

- ▼ Presentation at the Australian National Council on Irrigation and Drainage Conference, Toowoomba, Queensland, 12 September 2000
- ▼ Presentation to Nature Conservation Council Seminar, Australian Museum, Sydney, March 2001

Mr Eric Groom, Director, Analysis and Policy Development

- ▼ Network Planning and Demand Side Management: the Impact of the IPART Determination, Load Forecasting and Demand-Side Management Conference, Sydney, 20 July 2000
- ▼ NSW – Regulating Price in the Lead up to Full Retail Contestability, Conference on Energy Regulation and the Role of the Regulators, Melbourne, 1 May 2001

Appendix 5

continued...

Mr Michael Seery, Program Manager, Urban Water

- ▼ Achieving Fair Pricing and Competition in the Water Industry, The 5th Annual National Water Conference, Melbourne, 8 August 2000.

Mr Nicholas Hague, Acting Program Manager, Transport

- ▼ Blue Mountains Commuter and Transport Users Association Seminar, 17 March 2001.

Asset management plan

IPART completed policy documentation for asset maintenance and disposal.

Year 2000 issues

IPART did not encounter any Year 2000 problems in the latter half of that year. All of our Year 2000 preparatory work was conducted under Office of Information Technology Guidelines.

Complaints

IPART receives letters from time to time which complain about determinations made by IPART and on the public procedures of IPART. These representations are acknowledged and, where appropriate, are registered as submissions to the relevant investigation.

Other representations are made to IPART from time to time concerning pricing practices or activities of the utilities that we regulate. When appropriate, these representations are referred to the relevant agencies and the Electricity and Water Ombudsman.

Complaints about competitive neutrality

Amendments to the Independent Pricing and Tribunal Act in November 2000 require the Tribunal to provide a statistical summary of any complaints about the application of competitive neutrality principles referred to IPART for investigation. IPART did not receive any complaints in this financial year.

New tax system

IPART contracts out its payroll and accounting services to the Central Corporate Services Unit (CCSU) of the Department of Public Works and Services.

IPART and CCSU completed GST compliance plans which satisfy NSW Treasury requirements. In addition, the Audit Office provided an independent report to Treasury on the reasonableness of GST project implementation, evaluation and testing. No substantive problems were encountered.

Privacy plan

The Government requires government agencies to prepare and implement a privacy plan. IPART has engaged the Internal Audit Bureau to assist with this task.

A draft plan is to be submitted to the NSW Privacy Commissioner for approval.

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 workers compensation and motor vehicle damage. IPART had two workers compensation claims in 2000/2001. The net incurred cost was \$7,787.

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

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

Computer virus protection is installed on the server and workstations and protects all incoming email. Virus protection files are updated regularly and staff informed of ways of minimising the risk of importing computer viruses.

Report on account payment performance

Accounts paid on time within each quarter

Quarter	Total Accounts Paid on Time			Total Amount Paid (\$)
	Target	Actual	\$	
September Quarter	85%	69%	320,265	467,334
December Quarter	85%	81%	612,317	753,846
March Quarter	85%	88%	1,025,207	1,163,015
June Quarter	85%	85%	1,626,872	1,917,810

During the period there were no instances where penalty interest was paid in accordance with section 18 of the Public Finance and Audit (General) Regulation 1995. Performance during the September and December quarter was impacted by activities associated with the Olympic and Paralympic games. Accounting services are provided by 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 IPART keeps records of accounts sent for payment, it relies on the CCSU to pay accounts promptly. Queries on late payment are referred to CCSU for progress in arranging payment.

Details of Annual Report production

Seven hundred and fifty copies of this report have been printed at an average cost of \$18.63 per copy. This cost is based on the external costs of production including editing, design, photography and all printing processes. Extra copies may be purchased at the NSW Government Information Service Bookshop. An electronic copy of this report is available at IPART's website.

This report has been printed on environmentally friendly stock produced from oxygen bleached wood and chlorine free pulp.

Appendix 6

Freedom of Information Act – 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. This information is provided in this annual report.

Availability of information

Copies of all documents in IPART's public access library are available for public inspection at the IPART office, Level 2, 44 Market Street, Sydney 2000, from 9.00 am to 5.00 pm Monday to Friday (inquiries (02) 9290 8400). Copies of all IPART publications are also available from our web site at www.ipart.nsw.gov.au.

FOI procedures

To obtain IPART documents other than those identified in the public access library, application must be made in writing under the Freedom of Information Act.

Since many documents are readily accessible through IPART's public access arrangements and 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:

**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 on (02) 9290 8400

FOI requests in 2000/2001

IPART did not receive any formal requests for access to documents under the Freedom of Information Act. However in responding to one written request for access to information the Tribunal considered the application as if it were made under the FOI Act. The Tribunal agreed to make the document available after deleting matter that would be exempt under the Act. The regulated entity concerned was consulted and given the opportunity to appeal the Tribunal's decision.

Appendix 7

Key Performance Indicators

Outcome and Output targets	2000-01 Base	*Target 2001-02	2002-03	2003-04	2004-05
Regulation—Outcomes:					
Survey of stakeholder perceptions of integrity, process and quality of work (every 2 years)	1	N/a	1	n/a	1
Regulation—Outputs:					
Number of price determinations and industry reports completed	11	25	11	12	7
Number of price determination and industry reports in progress	9	5	–	2	1
Number of licence audits completed	2	4	4	4	4
Number of licence compliance reports to Minister	1	1	1	1	1
Number of licences granted, amended and cancelled	4	–	–	–	–
Rules and guidelines completed	5	3	2	2	2
Rules and guidelines in progress	2	–	–	–	–
Applications for Associate Contracts considered under S7.1 of National Gas Code	1	–	–	–	–
Average response time on notified price increases (Target 60 days for networks and 30 days for retail)	n/a				
Financial Administration:					
Controlled net cost of service within budget	Yes				
Regulation expenditure per capita (NSW)	<\$2	<\$2	<\$2	<\$2	<\$2
Compliance with Public Finance & Audit Act	100%	100%	100%	100%	100%

* Target represents known commitments and target numbers are likely to be exceeded.

Performance Measure	Target	2000-01
Staff		
Average sick leave days taken	<5	3.86
Personnel Enhancement System coverage	100%	100%
Training follows skills audit	100%	To be completed
Employee satisfaction index (staff survey)	>90%	Staff survey to be completed
– Leadership	>90%	
– Remuneration	>90%	
– Working conditions	>90%	
– Support services	>90%	
IT		
System availability	>98%	99.87
System security breaches	Nil	Nil detected
Internal service quality rating (staff survey)	>95%	Staff survey to be completed
Office Services		
Accounts paid on time	85%	84.6% average (excluding olympic period)

Absenteeism	59	Key performance indicators	59
Access arrangements	45, 47	Legislative provisions	44
Achievements	2	Matters to be considered by IPART	45
Account payment	57	Members	5
Annual report cost	57	Mission, vision, corporate values	3
Asset management	56	Organisation	7
Associated part contracts	59	Overseas visits	55
Award initiatives	52	Occupational health and safety	53
Chairman's Report	4	Part-time work	53
Code of conduct	52	Principal achievements	2
Coming year work program	8	Privacy plan	56
Committees	12, 15	Process improvement	19
Competitive neutrality	47, 56	Provision of assistance to other agencies	47
Complaints	56	Public access	44
Contents	1	Public hearings	49
Consultants fees	54	Public participation	45
Consultation with stakeholders	12, 13, 14, 49	Publications	50
Corporate objectives	9	Role of IPART	2
Corporate plan	3	Risk management	56
Equal employment opportunity	52, 53	Salaries	54
External presentations	55	Staff amenities and welfare	54
Executive	5, 6	Staff profile	53
Financial statements	25	Stakeholders' involvement/consultation	12, 13, 14, 19
Auditor-General's opinion	26	Standing reference agencies	45
Statement on behalf of IPART	27	Submissions	49
Operating statement	28	Training	18
Financial position	29	Tribunal meetings	49
Statement of cash flows	30	Tribunal Membership	5
Summary of compliance	32	Website	12
Notes to accounts	33	Work Program	8
Freedom of information	58	Workers' compensation	56
Future directions	24		
Hearings	49		
Human resource policies and practices	52, 53		
Impacts of determinations	20		
IPART Act 1992	44		
Industry reviews	50		
Information technology	19		
Insurance	56		



**INDEPENDENT PRICING AND REGULATORY TRIBUNAL
of New South Wales**

Level 2, 44 Market Street, Sydney NSW 2000.

PO Box Q290, QVB Post Office, NSW 1230

Telephone: (02) 9290 8400

Facsimile: (02) 9290 2061

Email: ipart@ipart.nsw.gov.au

