

**Annual Report**  
**2001/2002**



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

**IPART**



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

31 October 2002

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

Dear Premier

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL  
ANNUAL REPORT 2001/2002**

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 2002.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Thomas G Parry'.

Thomas G Parry  
*Chairman*

A handwritten signature in blue ink, appearing to read 'James Cox'.

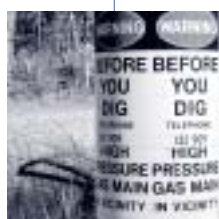
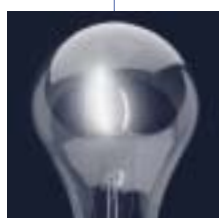
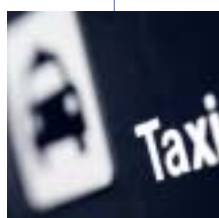
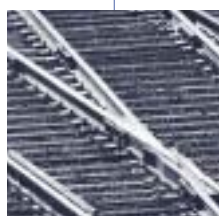
James Cox  
*Member*

# CONTENTS

## IPART ANNUAL REPORT

2001/2002

<b>Chairman's Report</b>	<b>page 2</b>
<b>What We Do</b>	<b>3</b>
Charter	<b>3</b>
Purpose and Objectives	<b>3</b>
<b>Our Corporate Plan</b>	<b>4</b>
Mission	<b>4</b>
Vision	<b>4</b>
Corporate Values	<b>4</b>
<b>Our Principal Achievements in 2001/2002</b>	<b>5</b>
Water Pricing	<b>5</b>
Water Licensing	<b>5</b>
Transport	<b>5</b>
Energy	<b>5</b>
Analysis and Policy Development	<b>5</b>
<b>Performance Against Corporate Objectives</b>	<b>6</b>
1. To reach a reasonable, balanced answer	<b>6</b>
2. To demonstrate a fair and open process	<b>7</b>
3. To apply a rigorous and credible process	<b>8</b>
4. To manage resources efficiently and effectively	<b>9</b>
Achievement of Objectives	<b>10</b>
<b>Key Performance Indicators</b>	<b>11</b>
<b>Management and Structure</b>	<b>12</b>
The Tribunal	<b>12</b>
– Permanent Members	<b>12</b>
Meeting Frequency and Attendance	<b>13</b>
The Secretariat	<b>13</b>
– Senior Officers	<b>13</b>
Internal Committees	<b>13</b>
Organisational Structure	<b>14</b>
<b>IPART Work Program for 2002/2003</b>	<b>15</b>
<b>Future Directions</b>	<b>16</b>
<b>Impacts of IPART'S Determinations</b>	<b>17</b>
<b>Financial Statements 2001/2002</b>	
Independent Audit Report	<b>22</b>
Statement on behalf of the Independent Pricing and Regulatory Tribunal	<b>23</b>
Statement of Financial Performance	<b>24</b>
Statement of Financial Position	<b>25</b>
Statement of Cash Flows	<b>26</b>
Program Statement – Expenses and Revenues	<b>27</b>
Summary of Compliance with Financial Directives	<b>28</b>
Notes accompanying and forming part of the Financial Statements	<b>29</b>
<b>Appendices</b>	
Appendix 1: Legislative Provisions	<b>40</b>
Appendix 2: Public Hearings and Submissions	<b>45</b>
Appendix 3: Publications	<b>46</b>
Appendix 4: Staffing and Consultants	<b>48</b>
Appendix 5: Other Issues	<b>59</b>
Appendix 6: External Liaison	<b>63</b>



## THE CHAIRMAN'S REPORT

This year marked the 10th anniversary of independent economic regulation of monopoly utilities in New South Wales. IPART's predecessor, the Government Pricing Tribunal, was formally established in July 1992, with the functions of regulating the maximum prices charged by the government-owned electricity, urban water and public passenger transport businesses.

The main objectives in those early days were to promote a move towards more efficient costs and more efficient prices. I believe that there has been considerable progress in achieving more efficient prices in electricity (and gas), water (both urban and rural) and, perhaps not to the same extent, in public passenger transport.

*To mark our 10th anniversary, IPART held a major conference on the future of incentive regulation. The conference was an undoubted success, reflecting the high quality of the speakers and the papers presented.*

Much of the cross-subsidy that significantly disadvantaged business customers has been removed in the pricing of electricity, gas, and urban water services. Importantly, with the notable exception of gas and transport, this cross-subsidy has been removed without increasing the burden on the household sector. Indeed, in real terms, for the same level of consumption, average household bills for electricity and water and wastewater have fallen over the past 10 years. In gas and transport, there has been an impact on households due to the more limited capacity of these businesses to generate sufficient cost reductions to fund the removal of cross-subsidies.

I have no doubt that the substantial reductions in charges for energy and water/waste water services paid by businesses has been of significant benefit to the state's economy. At the same time, prices for water and wastewater services, including developer charges, have better reflected the true resource and environmental costs of these services. More detail on some of the major activities and outcomes of independent economic regulation in NSW in the past 10 years is provided in Impacts of IPART determinations, on pages 17 to 21.

IPART's tasks and focus as a price regulator in the early days were relatively straightforward. In more recent years, it has become involved in the licence regulation of energy and water businesses, including monitoring compliance with the licence obligations for full retail contestability in gas and electricity. We expect also to play a role as licence regulator in the government's recently announced greenhouse gas abatement scheme for electricity retailers in NSW.

One of the features of IPART's work which brings both opportunities and challenges is the variety of special reviews that we are asked to undertake. This last year, for example, we undertook reviews on the costs and benefits and funding

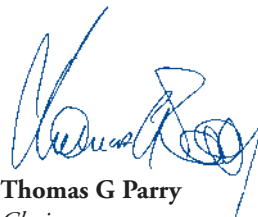
options for undergrounding electricity wires; opportunities for demand management in the energy sector; prices for taxis, private buses and ferries; and a review of the administration of energy licensing in NSW. We also again provided assistance to other jurisdictions, in particular the ACT.

Inevitably, the rapid widening of functions and responsibilities in any organisation brings challenges. This is made even more difficult as a result of the complex regulatory frameworks within which IPART operates. As I noted last year, IPART operates under several different pieces of legislation and codes. This has become even more complicated with the various instruments relevant to our licence compliance functions in energy and water.

To mark our 10th anniversary, IPART held a major conference on the future of incentive regulation. The conference was an undoubted success, reflecting the high quality of the speakers and the papers presented. Whether incentive regulation will continue to be as successful as I believe it has been to date will likewise depend on the quality of our 'speakers' and 'papers'. That is, stakeholders have as much responsibility for the quality of regulation as does the regulator. The agenda is set as much by our stakeholders as it is by IPART.

There is no doubt the issues have become much more complex, as have the different frameworks and pieces of legislation under which we operate. The easy gains from regulation have been made. The debate over incentives for investment to maintain the integrity of networks (whether energy, water, wastewater or transport) and improve standards of service has assumed greater urgency across all the sectors. The impact of significant additional expenditure by regulated businesses on prices and, hence, on the bills paid by business and households assumes greater importance when the scope for off-setting efficiency gains may be more limited. The next few years undoubtedly will see this debate played out in full.

As always, I readily express my admiration for our outstanding Secretariat. It is a great credit to their professionalism and commitment that we manage to do as much as we do, as well as we do. To them, to my colleagues on the Tribunal who carry so much of the burden, and to our many stakeholders who ensure our processes remain robust, I again say thank you.



**Thomas G Parry**

Chairman

Independent Pricing and Regulatory Tribunal  
of New South Wales

**T**he Independent Pricing and Regulatory Tribunal of New South Wales (IPART) is an independent body that oversees regulation in the state's water, gas, electricity and public transport industries. It was established by the NSW government in 1992 as the Government Pricing Tribunal, when 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.

### Charter

IPART now has six core functions, which are conferred by legislation and by codes and access regimes established by legislation.<sup>1</sup> 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 the conditions of these licences and authorisations
- ▼ Register agreements for access to public infrastructure assets and arbitrate disputes about these agreements
- ▼ 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.

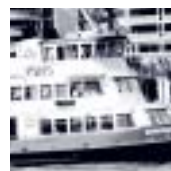
From January 2002, IPART's responsibilities in relation to administering licences and authorisations were expanded to include monitoring compliance with the provisions for introducing full retail competition in the electricity and gas industries. Also from this date, IPART became the Metrology Coordinator, and as such is now responsible for reviewing and approving new metrology procedures to be introduced under the National Electricity Code, and reviewing and approving any subsequent changes to those procedures.

### Purpose and objectives

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

- ▼ Regulate monopoly utility prices
- ▼ Promote competition (or replicate competitive outcomes) 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 licence obligations
- ▼ Encourage economic efficiency and reinvestment in infrastructure
- ▼ Encourage environmental sustainability
- ▼ Promote a stable regulatory environment
- ▼ Investigate complaints about competitive neutrality referred by the Government.

IPART is constituted under the *Independent Pricing and Regulatory Act 1992*. This legislation stipulates that in relation to the content of its determinations and recommendations, IPART is not subject to the control or direction of any government minister.



<sup>1</sup> 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*. In addition, IPART regulates access process for electricity and gas networks under the National Electricity Code and the National Gas Code.



# OUR CORPORATE PLAN

## Mission

Based on the purpose and objectives outlined above, 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

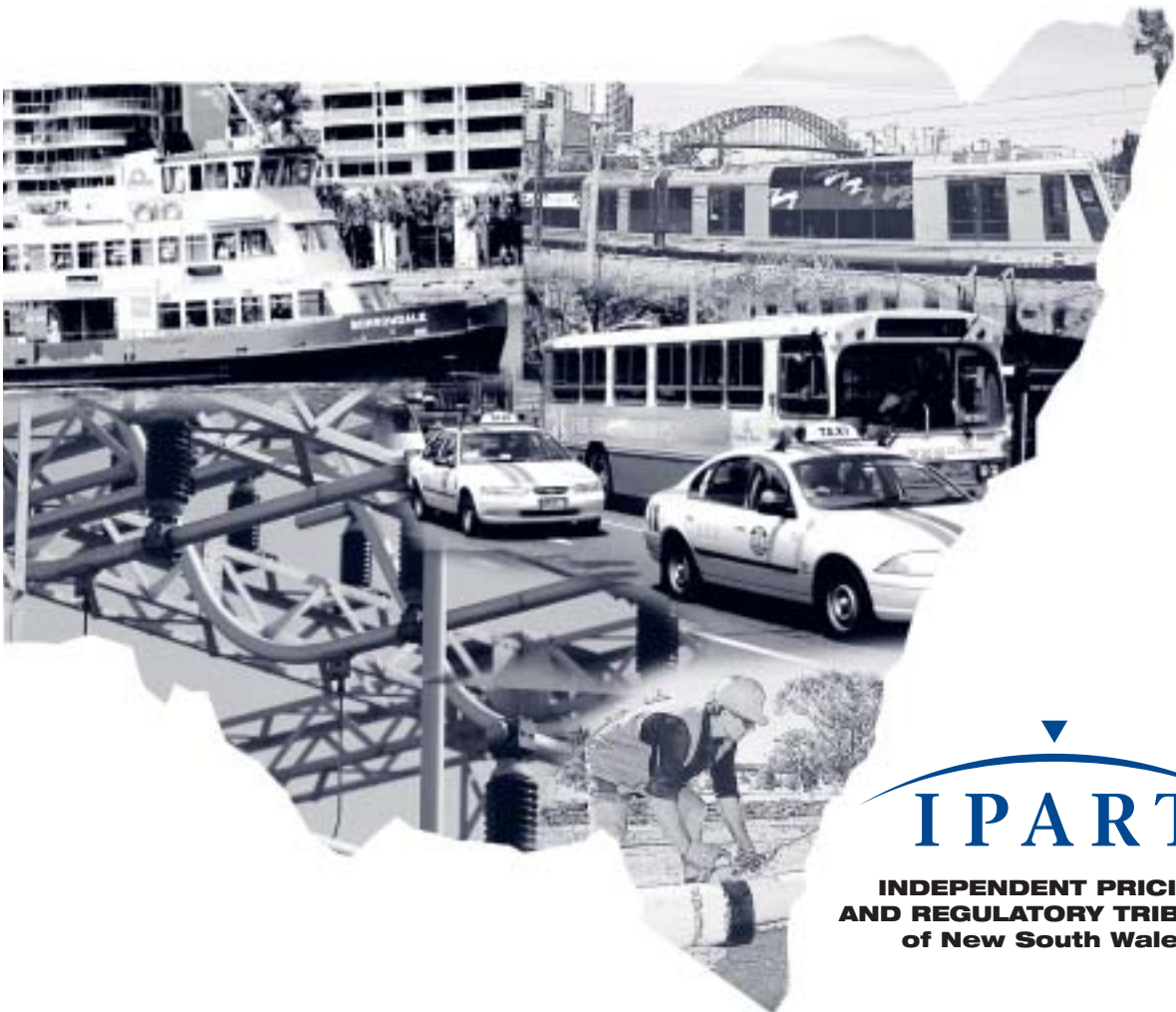
In pursuing this mission, IPART's vision is:

**To be at the forefront of regulation globally, and be respected by key stakeholders for the quality and impartiality of its decisions and the independence, efficiency and effectiveness of its 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 decisions 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.



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

# OUR PRINCIPAL ACHIEVEMENTS IN 2001/2002

## Water Pricing

- ▼ Determined medium-term prices for the supply of bulk water services by Water Administration Ministerial Corporation (three-year price path)
- ▼ Registered Development Servicing Plans for developer charges for Sydney Water Corporation Hunter Water Corporation, Gosford Council and Wyong Council
- ▼ Monitored compliance with current price determinations
- ▼ Released issues paper for metropolitan water price enquiry

## Water Licensing

- ▼ Audited compliance with the operating licences for Sydney Water Corporation, Sydney Catchment Authority and Hunter Water Corporation for 2000/01
- ▼ Reviewed Sydney Water Corporation's Customer Contract
- ▼ Reviewed Hunter Water Corporation's Operating Licence
- ▼ Reviewed bulk water supply agreement between Sydney Catchment Authority and Sydney Water Corporation

## Transport

- ▼ Made recommendations to the Minister for Transport on NSW taxi fares, private bus and private ferry fares for 2001/02
- ▼ Made recommendations to the Minister for Transport on NSW taxi fares, private bus and private ferry fares for 2002/03
- ▼ Determined prices for CityRail and the State Transit Authority for 2002/03
- ▼ Provided final report on taxi fares and competition to the ACT Independent Competition and Regulatory Commission
- ▼ Maintained register of rail access arrangements
- ▼ Monitored compliance with current price determinations

## Energy

- ▼ Released decision on framework for charging for capital contributions
- ▼ Notified DNSPs of new regulatory arrangements and form of regulation two years prior to their implementation on 1 July 2004, as required by the National Electricity Code
- ▼ Reported to the Minister of Energy on the extent to which electricity licence holders (both distribution and retail) complied with licence conditions
- ▼ Reviewed electricity prices for small retail customers (those with an annual bill of less than \$16,000)

- ▼ Reviewed retail gas prices for small business and residential customers of Country Energy, and agreed on voluntary pricing principles
- ▼ Reviewed reasonable costs associated with the introduction of contestability by DNSPs and energy retailers
- ▼ Reviewed the costs and benefits of undergrounding electricity cables
- ▼ Engaged consultants to perform systems audits of standard retailers' compliance with Electricity Tariff Equalisation Fund
- ▼ Commenced review of the operation of the energy licensing regime
- ▼ Consolidated reference documents published for electricity retail suppliers, gas retail suppliers, DNSPs and gas reticulators
- ▼ Introduced quarterly reporting by all retailers active in the 'small retail market'. Approved revised distribution loss factors
- ▼ Reviewed fee levels to be charged by Retailers of Last Resort
- ▼ Assessed four applications under the National Gas Code for approval of related party transactions.

## Analysis and Policy Development

- ▼ Reported on comparison of building-block and index-based approaches to regulation of monopoly prices
- ▼ Reviewed the impact of 10 years of the Tribunal's operations
- ▼ Prepared issues paper and interim report on demand management and other options in the provision of energy services.
- ▼ Issued a discussion paper on distributed generation
- ▼ Reported on demand management and efficient network pricing
- ▼ Reported on distributed energy solutions
- ▼ Reported on mechanisms for promoting societal demand management
- ▼ Reported on demand management technical and financial feasibility
- ▼ Prepared discussion paper on distribution standards of service. This was a collaborative work of the Utility Regulators' Forum, specifically the Steering Committee on National Regulatory Reporting Requirements
- ▼ Reviewed willingness to pay methodologies
- ▼ Reported on minimum service standards in NSW energy licensing regimes commissioned by the Tribunal and completed by National Economic Research Associates (NERA).
- ▼ Advised the NSW Government on pricing principles and policies to be adopted for sales of bandwidth by one Government agency to another.

# PERFORMANCE AGAINST CORPORATE OBJECTIVES

Throughout this financial year, IPART particularly focussed on meeting four core objectives:

1. To reach a reasonable, balanced answer
2. To demonstrate a fair and open process
3. To apply a rigorous and credible approach to our work
4. To manage resources efficiently and effectively.

A summary of its key actions and progress towards meeting these objectives is provided below.

## 1. To reach a reasonable, balanced answer

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2002
Continue to monitor developments in other jurisdictions	<ul style="list-style-type: none"> <li>• Participate in Australian Regulators Forum</li> </ul>	<ul style="list-style-type: none"> <li>• Senior staff participated in the Australian Regulators Forum and Utility Regulators Forum.</li> </ul>
	<ul style="list-style-type: none"> <li>• Collaborate with other regulators in research activity, including developing joint research programs</li> </ul>	<ul style="list-style-type: none"> <li>• IPART coordinated collaborative work in two major areas: a comparison of building block and index-based approaches to regulation of monopoly prices; and a discussion paper on distribution standards of service. Also met with Australian regulators in relation to water and public transport industries to discuss common issues.</li> </ul>
	<ul style="list-style-type: none"> <li>• Host seminars/conferences</li> </ul>	<ul style="list-style-type: none"> <li>• IPART developed, organised and promoted the program for a major conference called Incentive Regulation at the Crossroads to be held in July 2002.</li> </ul>
Continue to monitor and report on impacts of its decisions to ensure they have no unintended consequences		<ul style="list-style-type: none"> <li>• IPART conducted the annual compliance assessment of electricity network and retail tariffs.</li> <li>• The Price and Service Report published a comparison of expected and actual results.</li> </ul>
Continue to research and adopt improved regulatory techniques and approaches	<ul style="list-style-type: none"> <li>• Interpret statutory requirements and ensure compliance</li> </ul>	<ul style="list-style-type: none"> <li>• All IPART's determinations and licence investigations were subject to legal review.</li> </ul>
	<ul style="list-style-type: none"> <li>• Establish and apply criteria for assessing form of regulation</li> </ul>	<ul style="list-style-type: none"> <li>• IPART prepared issues papers on a range of forms of regulation, including demand management, building blocks vs index-based approaches and willingness to pay methodologies. For the electricity networks, an issues paper set out a list of criteria for assessing the form of regulation.</li> </ul>
	<ul style="list-style-type: none"> <li>• Establish in-house knowledge and peer review</li> </ul>	<ul style="list-style-type: none"> <li>• IPART held peer review sessions as part of each investigation. It also undertook post-investigation reviews (and reported results to the Tribunal), and held regular team meetings to review approach and discuss way forward.</li> </ul>
Provide more reasoned explanations of decisions	<ul style="list-style-type: none"> <li>• Establish best practice and transparent processes</li> </ul>	<ul style="list-style-type: none"> <li>• IPART held regular discussions with key stakeholders on key issues. For electricity, the Form of Regulation Notice outlined the process for the 2004 review.</li> </ul>
	<ul style="list-style-type: none"> <li>• Establish best practice report writing</li> </ul>	<ul style="list-style-type: none"> <li>• IPART continued to focus on improving the quality of its reports, both their structure and style. In particular, it aimed to include clear and logical explanations of the Tribunal's decisions and decision-making process.</li> </ul>



## 2. To demonstrate a fair and open process

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2002
<b>Hold regular meetings with key stakeholders</b>	<ul style="list-style-type: none"> <li>Establish and implement program for meeting with key stakeholder groups</li> </ul>	<ul style="list-style-type: none"> <li>There were regular meetings with the Energy Industry Consultation Group, and other key stakeholders and government agencies.</li> </ul>
	<ul style="list-style-type: none"> <li>Adopt technology and processes to make participation in investigations easier</li> </ul>	<ul style="list-style-type: none"> <li>IPART continued to provide up-to-date information about its role and activities on its website. All its reports were available from this site (as well as in hard copy). It also began to redesign the site to allow easier navigation, provide a search capability and increase interactivity.</li> </ul>
<b>Encourage and facilitate stakeholder involvement</b>	<ul style="list-style-type: none"> <li>Publish timetables for reviews and release discussion papers and draft determinations</li> </ul>	<ul style="list-style-type: none"> <li>IPART published timetables for all the reviews it undertook this year, on its web site, in issues papers and in Notices.</li> </ul>
	<ul style="list-style-type: none"> <li>Continue to hold public seminars and hearings</li> </ul>	<ul style="list-style-type: none"> <li>IPART held a number of public seminars and hearings (see Appendix 2 for more detail).</li> </ul>
	<ul style="list-style-type: none"> <li>Articulate the information IPART requires from businesses and agencies it regulates</li> </ul>	<ul style="list-style-type: none"> <li>IPART published its annual Regulatory Information request, and a guide to meeting the disclosure requirements for the Pricing Principles Methodology.</li> </ul>
	<ul style="list-style-type: none"> <li>Explain decision-making processes through issues papers and reports</li> </ul>	<ul style="list-style-type: none"> <li>IPART has continued to use its publications to explain its processes and the basis of its decisions. Feedback from last year's stakeholder survey indicates that some stakeholders still believe IPART does not go far enough in explaining how it has balanced the different interests and issues.</li> </ul>
<b>Explain IPART's decision making processes and its rationale for decisions</b>	<ul style="list-style-type: none"> <li>Ensure protection of confidential data consistent with statutory requirements</li> </ul>	<ul style="list-style-type: none"> <li>IPART introduced confidentiality contract documents for all business relationships, improved the security levels on the record management system, clarified definitions and procedures for submissions on the web site and introduced a new professional standards policy for staff.</li> </ul>
	<ul style="list-style-type: none"> <li>Survey stakeholder perceptions every two years</li> </ul>	<ul style="list-style-type: none"> <li>IPART surveyed stakeholders in 2000/01 and will repeat this survey in 2002/03.</li> </ul>
<b>Seek feedback on stakeholder perceptions of IPART's integrity, processes, and quality of work</b>		

# PERFORMANCE AGAINST CORPORATE OBJECTIVES

continued...

## 3. To apply a rigorous and credible process

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2002
<b>Recruit additional senior staff</b>		<ul style="list-style-type: none"> <li>Recruitment of staff increased numbers from 51 to 60 in the financial year.</li> </ul>
<b>Continually improve internal analytical tools and processes</b>	<ul style="list-style-type: none"> <li>Implement information management strategy</li> </ul>	<ul style="list-style-type: none"> <li>IPART undertook a comprehensive review of information management, and developed a new policy to meet best practice standards and state legislative provisions.</li> </ul>
	<ul style="list-style-type: none"> <li>Establish library/information supply service</li> </ul>	<ul style="list-style-type: none"> <li>IPART negotiated a contract with the Research and Information Service (a section of the Central Corporate Services Unit) to provide a library service.</li> </ul>
<b>Make better use of internal and external legal advice</b>		<ul style="list-style-type: none"> <li>Increased in-house legal resources combined with greater targeted use of external legal advice allowed IPART to review a significant number and range of legal matters.</li> </ul>
<b>Make better use of consultants</b>	<ul style="list-style-type: none"> <li>Establish criteria for using consultants</li> </ul>	<ul style="list-style-type: none"> <li>This year, IPART established a panel contract for audit and economic advice services.</li> </ul>
<b>Apply high standards of ethical and professional work standards</b>	<ul style="list-style-type: none"> <li>Ensure protection of confidential data consistent with statutory requirements</li> </ul>	<ul style="list-style-type: none"> <li>IPART introduced confidentiality contract documents for all business relationships, improved the security levels on the record management system, clarified definitions and procedures for submissions on the web site, documented its privacy protection procedures and introduced a new professional standards policy for staff.</li> </ul>

## 4. To manage resources efficiently and effectively

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2002
<b>Review profile of workforce to match skill set with organisational needs</b>	<ul style="list-style-type: none"> <li>Undertake skill set audit and associated training needs analysis</li> </ul>	<ul style="list-style-type: none"> <li>IPART documented capability 'maps' for four different categories of staff, which describe the range of skills required in different types and levels of work. They are used in the performance feedback sessions to clarify organisational expectations and target training needs. IPART fulfilled its commitment to fund all training identified as part of this process.</li> </ul>
<b>Become preferred employer by offering development opportunities and family friendly work practices</b>	<ul style="list-style-type: none"> <li>Implement 'staff health' management reporting system</li> <li>Leverage external resources for supplementary specialist skills (eg engineering) and manage peaks in workload</li> <li>Reward staff with accelerated increments for outstanding performance</li> </ul>	<ul style="list-style-type: none"> <li>IPART engaged Mayne Health to provide comprehensive health assessments to staff on a voluntary and confidential basis.</li> <li>The panel contract provides breadth of coverage for the range of additional skills required.</li> <li>One element of the performance reviews is the provision for accelerated progression as recognition for outstanding performance.</li> </ul>
<b>Provide systematic training and other skill building opportunities for staff</b>	<ul style="list-style-type: none"> <li>Develop improved induction procedures for new staff</li> </ul>	<ul style="list-style-type: none"> <li>IPART revised its induction package to cover the full range of information and preliminary training required by recruits.</li> </ul>
<b>Work with other public sector agencies to achieve economies of scale</b>		<ul style="list-style-type: none"> <li>IPART participated in a pilot project to provide on-line access for all staff to their individual personnel data. The Electronic Self Service project is a collaborative initiative with the Central Corporate Services Unit.</li> </ul>
<b>Continuously improve systems and services</b>	<ul style="list-style-type: none"> <li>Introduce tools to better allocate resources (including time recording)</li> <li>Develop personnel policies and procedures</li> <li>Implement financial administration policies</li> <li>Implement management reporting system</li> <li>Arrange direct connection to the Central Corporate Services Unit (CCSU) systems</li> </ul>	<ul style="list-style-type: none"> <li>An internal audit review of revenue and cost recovery found that costs were recovered accurately and appropriately and the cost structure was current.</li> <li>IPART continued its program of developing and documenting its own personnel policies.</li> <li>IPART developed and implemented a manual outlining its standards and procedures in relation to purchasing, asset management, financial and administrative delegations and engagement of consultants.</li> <li>IPART has more formally structured and documented its executive meetings to meet management reporting needs.</li> <li>IPART established direct on-line links to CCSU systems for personnel data and financial services, so its trained staff can access information, generate reports and check the accuracy of transactions on demand.</li> </ul>

# PERFORMANCE AGAINST CORPORATE OBJECTIVES

continued...

## 4. To manage resources efficiently and effectively continued...

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2002
<b>Continuously improve systems and services</b>	<ul style="list-style-type: none"> <li>Negotiate improved service agreement with CCSU or appoint another external service provider</li> </ul>	<ul style="list-style-type: none"> <li>IPART participated in two external reviews of CCSU's services and pricing structure. In response to these reviews CCSU has committed to a significant reform agenda which addresses the issues raised by IPART and other agencies.</li> </ul>
<b>Embrace Government commitment to electronic service delivery</b>	<ul style="list-style-type: none"> <li>Develop electronic service delivery plan</li> </ul>	<ul style="list-style-type: none"> <li>IPART completed its electronic service delivery plan and associated reporting prior to the target date of December 2001.</li> </ul>
<b>Make effective use of equipment and systems</b>	<ul style="list-style-type: none"> <li>Develop asset management plan</li> <li>Implement improved IT and office security (including disaster recovery plan)</li> </ul>	<ul style="list-style-type: none"> <li>IPART completed its asset management plan and also completed an annual asset stocktake.</li> <li>IPART has continued to implement its 3-year IT Strategic Plan (adopted in 2001) to increase network performance and provide for the future. In addition, it developed a business continuity plan.</li> <li>A new software program was developed to simplify recording and monitoring hours worked by staff.</li> </ul>

### Achievement of Objectives

The only economic or other factor affecting the achievement of IPART's operational objectives relates to the introduction of full retail competition (FRC) in the energy industry. From 1 January 2002, IPART became responsible to monitor, report on and enforce compliance with a large proportion of the new FRC-related provisions.

In the first six months of operation it was expected that IPART would carry out a major audit of the licence/authorisation holders' internal compliance systems and arrangements for reporting compliance. Budget supplementation was requested and approved, but the funds did not become available until June. This allowed insufficient time to complete the audit in 2001/02 and the work was planned to proceed early in the following year.





## KEY PERFORMANCE INDICATORS

Outcome and Output targets	2000-01 Base	2001-02 *Target/Actual	2002-03	2003-04	2004-05
<b>Regulation—Outcomes:</b>					
Survey of stakeholder perceptions of integrity, process and quality of work (every 2 years)	1	N/A	1	N/A	1
<b>Regulation—Outputs:</b>					
Number of price determinations and industry reports completed	11	25/23	24	17	13
Number of price determination and industry reports in progress	9	5/9	5	1	1
Number of licence audits completed	2	4/5	12	13	13
Number of licence compliance reports to Minister	1	1/1	1	1	1
Number of licences granted, amended and cancelled	4	34	20	5	5
Rules and guidelines completed	5	3/6	2	2	2
Rules and guidelines in progress	2	2	–	–	–
Applications for Associate Contracts considered under S7.1 of National Gas Code	1	2	–	–	–
Average response time on notified price increases (Target 60 days for networks and 30 days for retail)	N/A	Networks 60/20.25 days Retail 30/16 days			
<b>Financial Administration:</b>					
Controlled net cost of service within budget	Yes	Yes			
Regulation expenditure per capita (NSW)	<\$2	<\$2/\$1.42	<\$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
<b>Staff</b>		
Average sick leave days taken	<5	2.45
Personnel Enhancement System coverage	100%	100%
Training follows skills audit	100%	100%
Employee satisfaction index (staff survey)		
– Leadership	>90%	Staff survey
– Remuneration	>90%	to be
– Working conditions	>90%	completed
– Support services	>90%	
<b>IT</b>		
System availability	>98%	99.52%
System security breaches	Nil	Nil detected
Internal service quality rating (staff survey)	>95%	Staff survey to be completed
<b>Office Services</b>		
Accounts paid on time	90%	91.25%

## MANAGEMENT AND STRUCTURE

**IPART is headed by a Tribunal that comprises three permanent members, plus temporary members, who are appointed by the Premier. The Tribunal is supported by a Secretariat that provides research and advisory services.**

### The Tribunal Permanent members



#### Chairman

**Dr Thomas G Parry** *BEC (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. Member of the Council on the Cost and Quality of Government. Ex officio member of the Australian Competition and Consumer Commission. 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** *BEC, 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 also 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 members

**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.

## Meeting frequency and attendance

Throughout the year, the Tribunal held 56 meetings, and hosted 1 public hearing and 10 public workshops. More detail about these meetings and each member's attendance is provided in Appendix 2.

## The Secretariat

IPART's Secretariat assists the Tribunal in its work, by providing research and advisory services, and supporting investigations and public processes.

Most of the professional staff members are highly experienced economists and financial/accounting analysts. They work in industry-based teams, undertaking research, investigation and analysis to provide professional advice to the Tribunal. General Counsel and legal staff provide legal advice on the increasingly complex regulations governing utility operations.

The Secretariat also includes a support services team that provides information technology, general administrative, and personnel support to the operational areas. This team also manages IPART's processes, including the public registry, submissions, and the preparation and publication of reports and the website.

With most investigations, the Secretariat also needs to commission consultants to undertake additional research and provide the Tribunal with the highest quality advice on often complex topics. If necessary, it can also second staff from other government agencies to assist with particular investigations.

## Senior officers

The Secretariat is headed by four Directors, who report to the Chairman. These Directors are:



### Director Analysis and Policy Development

**Eric Groom** *BEC 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*

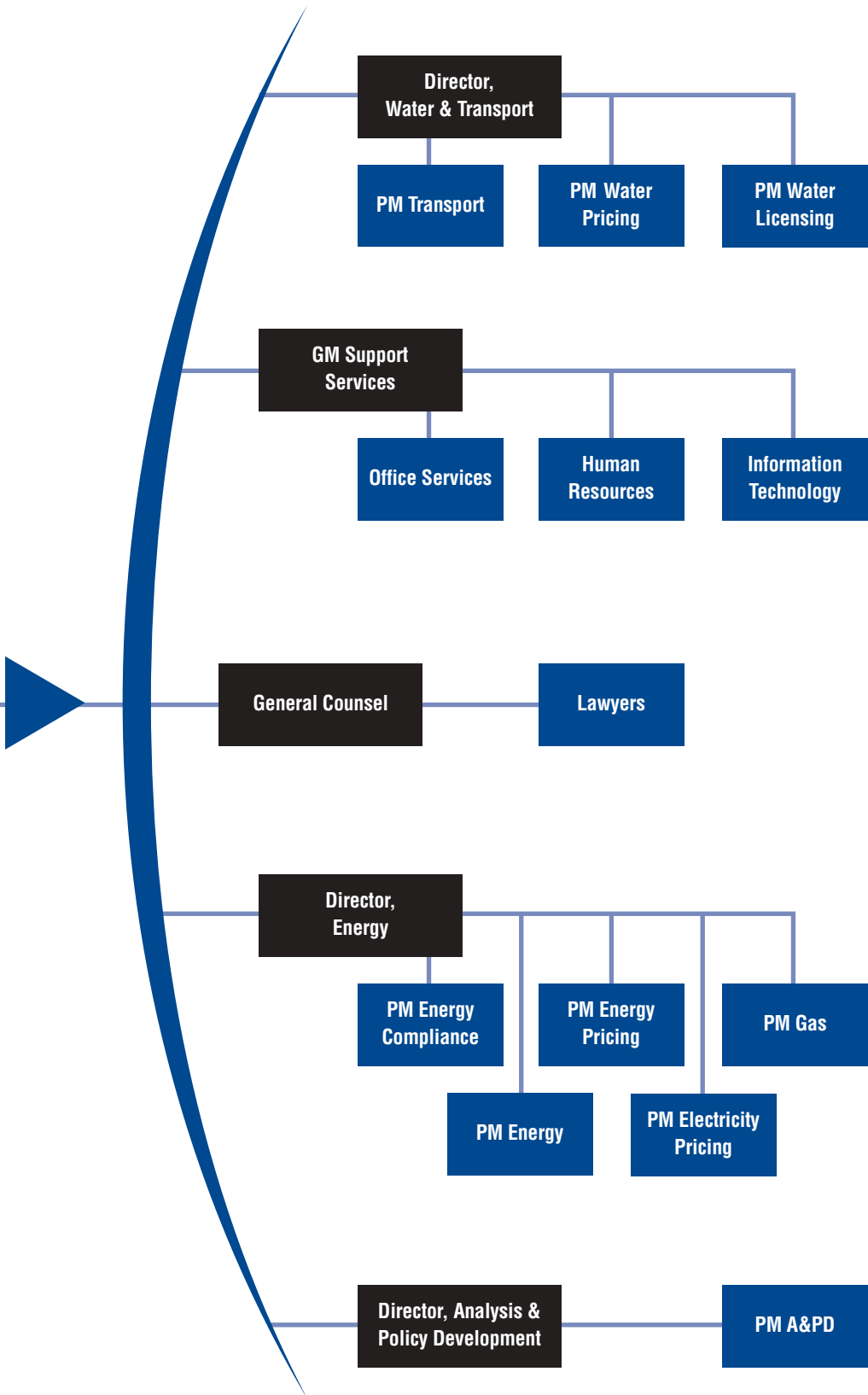
Responsible for providing support services including human resources, office services, finance and information technology. Meryl represents small agencies on the Treasury Managed Fund Advisory Board.



## Internal committees

IPART's Core Executive consists of the Tribunal's Chairman and Full-time Member plus the Directors of Energy, Water and Transport, and Analysis and Policy Development, and the General Manager Support Services. Throughout the year, this group met regularly, at approximately two week intervals. Other Managers and General Counsel attended meetings as required. The purpose of these meetings was to review the Secretariat's current work program and ensure that the Tribunal was adequately briefed on all relevant issues.

# ORGANISATIONAL STRUCTURE



*PM = Program Manager*



## Water pricing

- ▼ Register Development Servicing Plans for developer charges for Sydney Water Corporation, Hunter Water Corporation, Gosford Council and Wyong Council
- ▼ Review metropolitan water prices for Sydney Water Corporation, Hunter Water Corporation, Gosford Council and Wyong Council to apply from July 2003
- ▼ Check compliance with current price determinations

## Water licensing

- ▼ Review Hunter Water Corporation's Customer Contract
- ▼ Undertake mid-term reviews of the operating licences for Sydney Catchment Authority and Sydney Water Corporation
- ▼ Develop monitoring and reporting protocols with Sydney Water Corporation
- ▼ Undertake annual audits of compliance with the operating licences for Sydney Water Corporation, Sydney Catchment Authority and Hunter Water Corporation

## Transport

- ▼ Recommend NSW taxi fares, private bus and private ferry fares for 2003/04 to the Minister for Transport
- ▼ Make annual price determinations for CityRail and State Transit Authority
- ▼ Register access agreements
- ▼ Monitor compliance with current price determinations

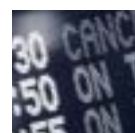
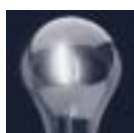
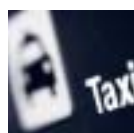
## Energy

- ▼ Prepare guidelines for ring fencing (the separation of regulated network services from competitive services)
- ▼ Review demand management/energy efficiency under Section 12A of the IPART Act
- ▼ Review retail gas prices for small business and residential customers of Origin Energy
- ▼ Review the energy licensing regime
- ▼ Conduct mid-term review of AGLRE's gas default retail prices for customers with annual bills below \$12,000
- ▼ Review retail gas prices for small business and residential customers in Nowra and Tweed Heads

- ▼ Monitor compliance with past determinations
- ▼ Commence the 2004 review of the electricity network (conducted under the National Electricity Code), including reviewing the definition of prescribed distribution services and excluded services under the National Electricity Code
- ▼ Review procedures related to IPART's role as NSW metrology co-ordinator
- ▼ Engage consultants to carry out system and performance audits of those retailers active in the 'small retail' market
- ▼ Report to the Minister for Energy on the extent to which electricity licence holders (both distribution and retail) complied with licence conditions for the 12 months to 30 June 2002
- ▼ Develop additional schedules to the Pricing Principles and Methodologies
- ▼ Commence quarterly reporting for those licence holders supplying consumers in the 'small customer' market (annual bill less than \$16,000)
- ▼ Commence review of Country Energy's revised arrangement for access to its gas network in and around Wagga

## Analysis and Policy Development

- ▼ Review retailer greenhouse gas obligations
- ▼ Prepare discussion paper on cost of capital for regulated companies
- ▼ Prepare discussion paper on asset valuation
- ▼ Document a quality assurance manual
- ▼ Finalise report on demand management and other options in the provision of energy services
- ▼ Prepare a recommendation to the Minister for Public Works and Services on a pricing policy and fees in relation to the services provided by the Central Corporate Services Unit (CCSU) to other Government agencies
- ▼ Review workers' compensation 2001 legislative amendments to determine whether the policy objectives of those amendments remain valid and whether the terms of the legislation remain appropriate for securing those objectives (special reference under Section 248A of the Workplace Injury Management and Workers Compensation Act 1998)



## OUR WORK PROGRAM FOR 2002/2003

continued...

### Outline budget for 2002/03

	\$'000
<b>Expenses</b>	
Employee related	6205
Other operating	6286
Maintenance	23
Depreciation	143
<b>TOTAL EXPENSES</b>	<b>12,657</b>
<b>Revenue</b>	
Sales of goods and services	0
Investment income	50
Other revenue	95
<b>TOTAL REVENUE</b>	<b>145</b>
<b>Net cost of services</b>	<b>12,512</b>
<b>Government Contributions</b>	
Recurrent appropriation	11,721
<b>Capital appropriation</b>	196
Acceptance by Crown Entity or employee entitlements	638
<b>TOTAL GOVERNMENT CONTRIBUTIONS</b>	<b>12,555</b>
<b>SURPLUS/ (DEFICIT)</b>	<b>43</b>

## FUTURE DIRECTIONS

### New responsibilities: greenhouse gas emission targets

In May this year, the Premier and the Minister for Energy announced that the NSW Government will implement an enforceable greenhouse gas emission reduction scheme for licensed electricity retailers. It has approved a framework under which retailers will be required to meet mandatory greenhouse gas abatement targets, as part of their retail licence conditions.

The framework includes a regime for enforcing compliance with these targets, arrangements for identifying and transferring recognised emission savings (or credits) and statutory powers to support the making of regulations and rules for establishing, achieving and enforcing the targets. The targets will be framed in terms of emissions performance against individual benchmarks apportioned according to retailers' share of the State's total electricity usage.

The scheme covers generators that make 'direct sales' to customers, and NSW customers that purchase electricity directly from the National Electricity Market.

It is expected that IPART will administer and implement this scheme from 1 January 2003. The key tasks involved in this include:

- Registering creators of abatement certificates (which includes assessing that creators meet criteria to participate in scheme, assessing emission intensity of generation capacity and setting 1997 'baselines' to identify post-1997 generation capacity)
- Forecasting the pool, coefficient, electricity demand and population levels for coming years
- Administering a registry of abatement certificates and tracking transfers and acquittals
- Assessing and reporting on compliance annually
- Verifying the accuracy of abatement certificates and reports to be traded
- Enforcing compliance.

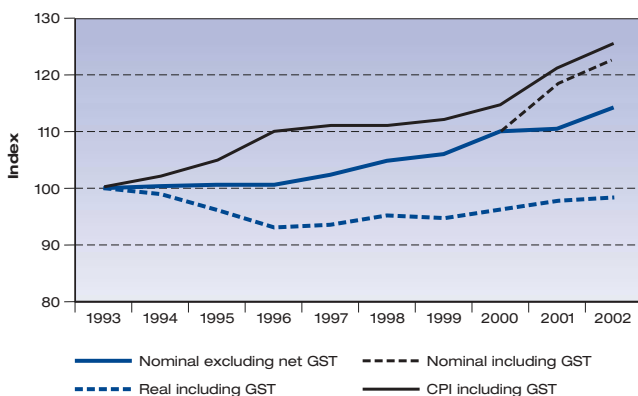
As part of its role as regulator of the electricity, gas, water and public transport industries in NSW, IPART sets the maximum prices that service providers in these industries can charge. These price determinations affect both household and business costs.

The overall impact of IPART's determinations since 1993 has been to reduce the cost of services in many of these industries in real terms. In this time, residential customers' electricity costs fell by 10 per cent and their water service costs fell by at least 5 per cent in real terms. In addition, non-residential customers paid \$1.3 billion less in electricity, water service and gas network charges in 2001/02 than they would have if the real prices for these services had remained unchanged since 1992/93 (that is, if prices had increased by CPI every year). This saving is equivalent to 33 per cent of payroll tax receipts in NSW in 2000/01.

## Impacts on residential customers

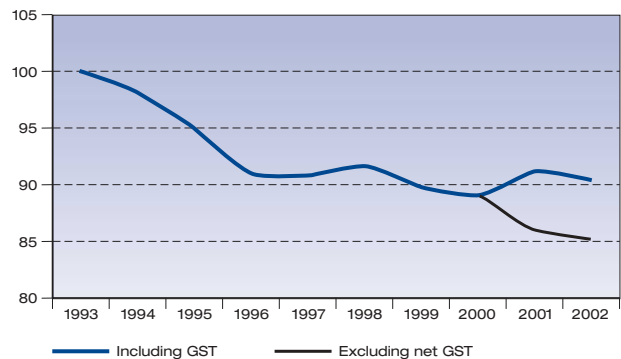
To monitor the impact of its price determinations on households, IPART introduced an index of household charges in 1993. This index measures the impact of charges that IPART regulates on an average household, using Australian Bureau of Statistics (ABS) data on household expenditure to calculate the relative expenditure (weightings) for electricity, gas, water and public transport (rail and bus/ferries).

Figure 1 - Composite index of household charges from 1992/93 to 2001/02



In 2001/02, households paid 22 per cent more for electricity, gas, water, sewerage and public transport in nominal terms (including GST) than they did in 1992/93. This increase is less than the increase in CPI. In real terms, average household charges fell by 3 per cent over the period (including GST). When the net impact of the GST and new tax system is excluded, household charges increased by 14 per cent in nominal terms, and fell by 6 per cent in real terms over this period.

Figure 2 - Index of real residential electricity prices 1992/93 - 2001/02

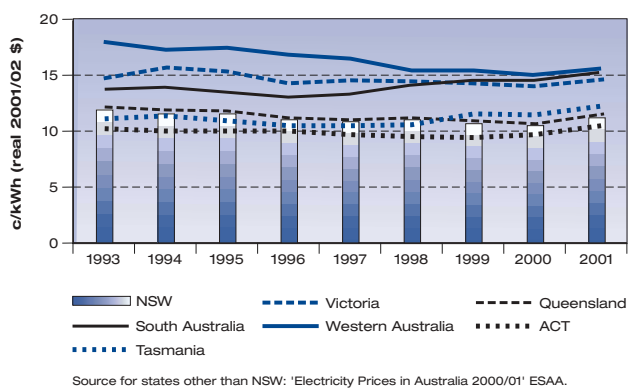


An overview of changes in residential prices since 1993 in each industry IPART regulates is provided below.

## Electricity

Average residential electricity prices in NSW have fallen by 10 per cent in real terms since 1993. The largest real reductions occurred prior to 1996, when prices were held constant in nominal terms. In 2000/01, prices rose by 3 per cent in real terms, due to the introduction of the GST. When the net impact of the GST and new tax system is excluded, prices fell by 15 per cent in real terms between 1992/93 and 2001/02.

Figure 3 - Inter-state comparison of residential electricity prices, 1992/93 - 2000/01



As Figure 3 shows, average electricity prices in NSW are amongst the lowest in Australia. In addition, price reductions between 1992/93 and 2000/01 were greater in NSW than in all other states except Western Australia, in percentage terms.

# IMPACTS OF IPART'S DETERMINATIONS

continued...

## Metropolitan Water

Water and sewerage services charges for typical residential customers fell in real terms between 1992/93 and 2001/02. For example:

- ▼ The bill of a typical Sydney Water Corporation customer (using 240 kl of water per year) fell by 5 per cent, in real terms
- ▼ The bill of a typical Hunter Water Corporation customer (using 240 kl of water per year) fell by 26 per cent, in real terms.

Figure 4 - Index of real residential water and sewerage charges 1992/93 – 2001/02

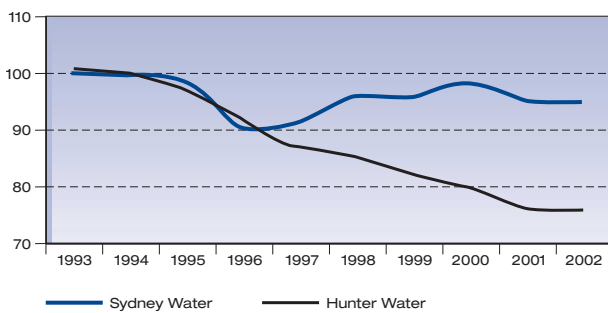


Figure 5 - Composition of SWC residential water and sewerage bills 1992/93 – 2001/02

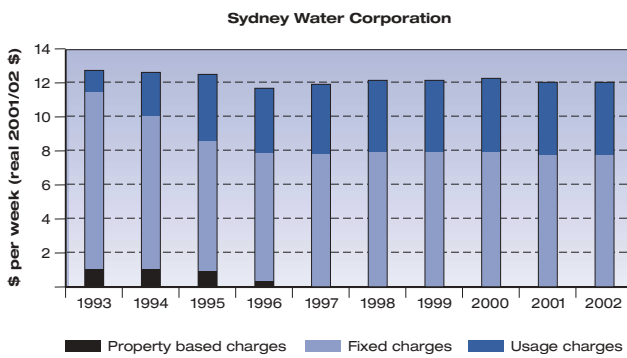
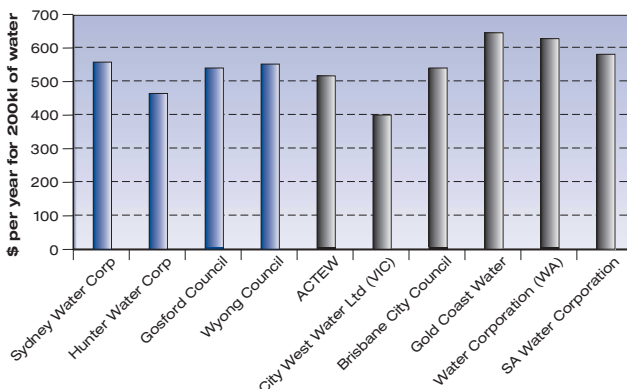


Figure 6 – Inter-state comparison of residential water and sewerage prices as at 30 June 2001



Water and sewerage pricing has been substantially reformed in all the agencies regulated by IPART. For example:

- ▼ Usage charges have increased to signal the value of water more clearly
- ▼ The property tax component has been eliminated
- ▼ The free water allowance has been eliminated in Gosford and Wyong Councils.

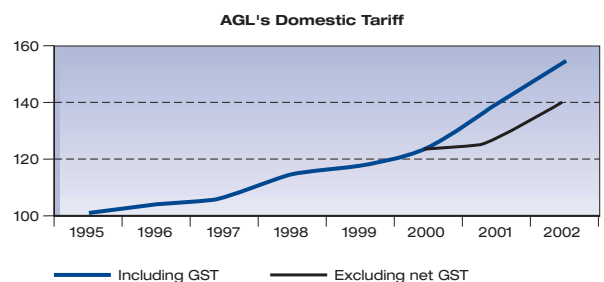
The residential water and sewerage prices charged by all water agencies regulated by IPART are similar to those charged by agencies in other states. For example, as Figure 6 shows:

- ▼ Hunter Water Corporation's residential customers pay less for water and sewerage than the customers of all the other agencies shown except City West Water Ltd in Melbourne (for 200kl of water per year)
- ▼ Residential bills from the other agencies regulated by IPART are similar to those in most other major centres.

## Gas

IPART took over the regulation of gas prices in 1995/96. Since that time, AGL's residential tariff has increased by 54 per cent in real terms. This increase is primarily due to the elimination of the previous cross-subsidy of residential customers by non-residential users with the introduction of third party access to gas networks. When the net impact of the GST and new tax system is excluded, the increase over this period is 40 per cent in real terms.

Figure 7 – Index of real residential gas prices for AGL customers 1994/95 – 2001/02



## Public transport

Public transport prices have increased since 1992/93, to better reflect the costs of service provision. For example:

- ▼ CityRail fares rose by 25 per cent in real terms, including GST
- ▼ State Transit Authority (bus and ferry) fares rose by 14 per cent in real terms, including GST.

When the net impact of the GST and new tax system are excluded, the real increases for this period are 19 per cent and 11 per cent respectively.



continued...

Figure 8 – Index of real public transport prices 1992/93 – 2001/02

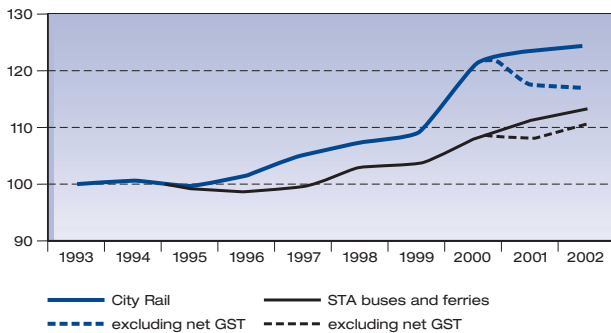
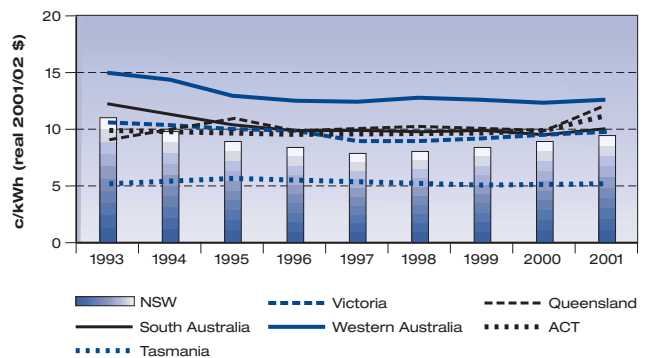


Figure 10 - Inter-state comparison of non-residential electricity prices, 1992/93 – 2000/01



Average commercial and industrial electricity prices (real 2001/02 c/kWh)  
Source: 'Electricity Prices in Australia 2000/01' ESAA.  
Prices reflect final prices paid by end users.

## Impacts on non-residential customers

An overview of changes in prices typically paid by non-residential customers since 1993 in each industry IPART regulates is provided below.

### Electricity

National Competition reform has progressively introduced contestability into the electricity market since 1996, and IPART no longer regulates non-residential tariffs.<sup>2</sup> However, it does regulate all network distribution charges which, on average, comprise roughly half of the final retail tariff.

Average non-residential electricity prices in NSW fell by 22 per cent between 1992/93 and 2000/01. The largest real reductions occurred prior to 1996. The increases in recent years are largely due to increases in wholesale prices and the introduction of the GST.

Average non-residential prices are currently lower in NSW than in any other state except Tasmania. In addition,

between 1992/93 and 2000/01 electricity prices for non-residential customers fell more in NSW than in any other state.

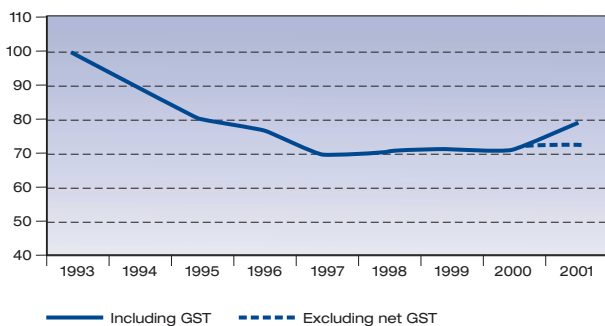
### Metropolitan Water

Water and wastewater prices for non-residential customers fell substantially between 1992/93 and 2001/02. For example:

- ▼ Sydney Water Corporation customers now pay on average 56 per cent less per kl of water consumed than in 1992/93, in real terms
- ▼ Hunter Water Corporation customers pay 37 per cent less per kl of water consumed than in 1992/93, in real terms.

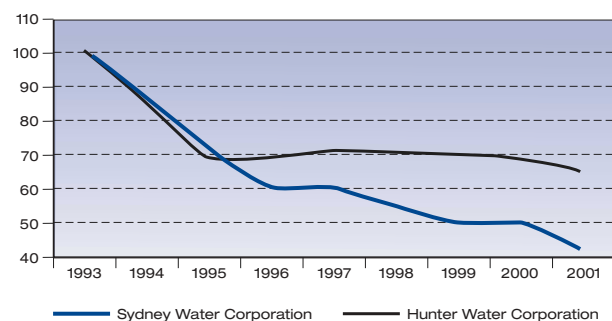
This change is largely due to the reduction or elimination of property-based charges. It has been achieved without real increases in residential bills, and has reduced the burden of water costs on non-residential users.

Figure 9 - Index of real electricity prices for non-residential customers 1992/93 – 2000/01



Source: 'Electricity Prices in Australia 2000/01' ESAA.  
Prices reflect final prices paid by end users.

Figure 11 - Index of real water and wastewater charges for non-residential customers 1992/93 – 2001/02



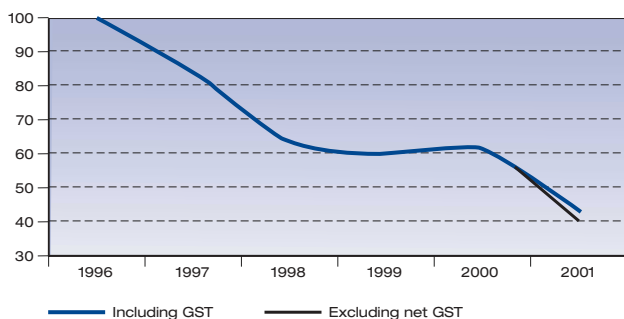
Index measures the average revenue per kL of water sold, and is therefore only a rough indicator of prices.

<sup>2</sup> Business customers with consumption of less than 160 MWh per year can still choose to remain on the default tariff, which is regulated.

# IMPACTS OF IPART'S DETERMINATIONS

continued...

Figure 12 - Index of real gas network (contract) prices 1995/96 – 2001/02

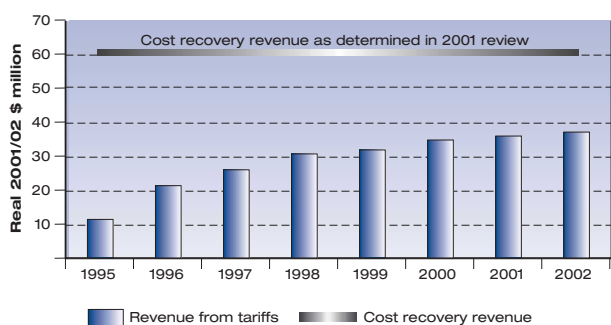


## Gas

Contestability has been progressively introduced into the gas market since 1997, and all customers have been contestable since 1 July 2000<sup>3</sup>. IPART does not regulate non-residential retail prices. However, it does regulate network charges, which comprise 30–50 per cent of the final retail tariff.

Non-residential network prices have fallen since IPART took over the regulation of gas prices in 1995/96. For example, AGL Gas Network's (contract) prices fell by 58 per cent between 1995/96 and 2001/02, including GST. When the net impact of the GST and new tax system are excluded, prices fell by 60 per cent.

Figure 13 - Actual and target revenue from bulk water tariffs 1994/95 – 2001/02



Note: Figures exclude miscellaneous income and income from SWC, SCA and HWC

## Bulk water

The price of bulk water has increased over the period 1992/93 to 2001/02, due to the implementation of the 'user pays' principle. This can be seen in the increased revenue from bulk water tariffs for all sources of water, from \$11 million in 1994/95 to an expected \$38 million in 2001/02, expressed in real 2001/02 dollar values.

This revenue in 2001/02 will recover about 62 per cent of the target (full cost recovery) revenue, which is a substantial increase since 1994/95, when revenue recovered only 18 per cent of this target revenue.

## Utility efficiency

Operating costs per unit of service delivered have fallen in real terms since 1992/93, especially in the electricity and water industries:

- ▼ Operating costs per kWh of electricity sold fell by 33 per cent over the period 1992/93 to 2000/01
- ▼ Operating cost per kL of water sold fell by 21 per cent over the same period
- ▼ State Transit Authority (buses and ferries) operating costs per passenger journey increased by 6 per cent between 1992/93 and 2001/02, however, costs per vehicle km fell by 2 per cent over the same period
- ▼ City Rail operating costs per passenger journey fell by 11 per cent between 1997/98 and 2000/01.<sup>4</sup>

## Utility performance

Lower prices have not resulted in poor financial performance in the metropolitan water and electricity industries. In the water industry, profitability—as measured by earnings before interest and tax (EBIT)—has remained relatively constant over the period 1992/93 to 2000/01. In the electricity industry (distribution and retail), this profitability fell in 1995/96 due to abnormal expenses associated with organisational restructuring, revaluation of borrowings and a downward revaluation of fixed assets. However, it increased to well above the 1992/93 level by 2001/02 in real terms.

Similarly, real price reductions have not resulted in reduced payments to the government as owner. As Figure 14 shows, both the electricity (distribution and retail) and metropolitan water industries paid significantly more in tax and dividends to the state government in the second half of the period. Electricity distributors paid an additional \$1.51 billion in special dividends in 1995/96 and 1996/97. A capital restructure in 2000/01 saw a further \$2.14 billion returned to the state government as owner.

<sup>3</sup> Customers with consumption of less than 1 TJ per year can still choose to remain on the default tariff, which is regulated.

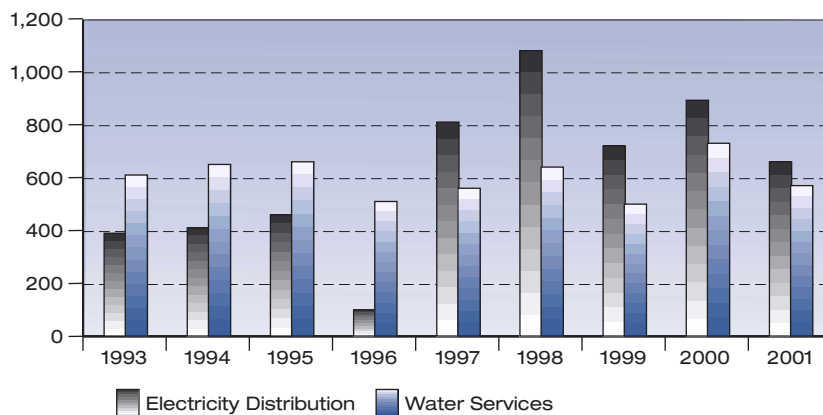
<sup>4</sup> City Rail operating costs for the preceding period are not comparable due to corporate restructuring in 1996/97.

Figure 14 – Real operating costs per unit of service delivered

Real 2001/2002 \$		1993	1994	1995	1996	1997	1998	1999	2000	2001
Electricity Distribution	\$/MWh	113	109	96	87	79	72	74	77	75
Water Services	c/KL water	171	152	157	162	149	140	151	135	135
State Transit Authority	\$/journey	1.80	1.76	1.62	1.65	1.75	1.84	1.91	1.89	1.92
City Rail	\$/journey						5.38	5.17	4.78	4.80

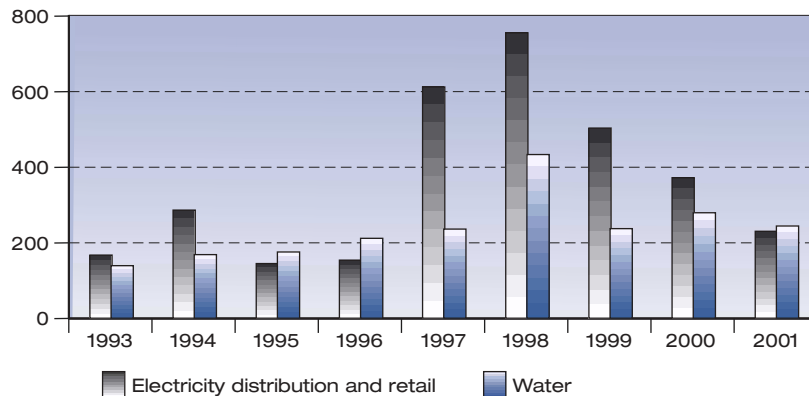
- Transport operating cost excludes costs associated with unregulated activities. For water and electricity, total corporate operating costs are used.

Figure 15 - Earnings before interest and tax in the metropolitan water and electricity industries (real 2001/02 \$million)

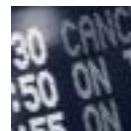
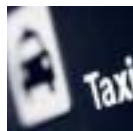


Note: Includes abnormal items

Figure 16 - Tax and dividend payments to government (real 2001/02 \$ million)



- Dividends exclude payments to government as part of capital restructuring.
- There was a change in tax policy applicable to the electricity distributors in 1999/00 and 2000 which reduced their tax expense. In addition, the dividend payout rate was lower in these years than in the preceding three years.





GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### INDEPENDENT PRICING AND REGULATORY TRIBUNAL

**To Members of the New South Wales Parliament**

#### **Scope**

I have audited the accounts of the Independent Pricing and Regulatory Tribunal for the year ended 30 June 2002. The members of the Tribunal are responsible for the financial report consisting of the accompanying 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 based on my audit as required by 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 Tribunal's financial position, 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 Tribunal as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

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

**A. Oyetunji CPA**  
*Assistant Director of Audit*

SYDNEY  
14 October 2002





**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*, we state that to the best of our knowledge and belief:

- a) the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2000, the Financial Reporting Code for Budget Dependant General Government Sector Agencies and Treasurer's Directions.
- b) the financial statements exhibit a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal as at 30 June 2002 and for the operations 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.

Handwritten signature of Thomas G Parry in blue ink.

**Thomas G Parry**  
Chairman

Handwritten signature of James Cox in blue ink.

**James Cox**  
Member

14 October 2002

# STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2002



	Notes	Actual 2002 \$'000	Budget 2002 \$'000	Actual 2001 \$'000
<b>Expenses</b>				
Operating expenses:				
Employee related	2(a)	5,252	5,991	4,404
Other operating expenses	2(b)	4,315	4,336	3,162
Maintenance		38	22	35
Depreciation and amortisation	2(c)	153	143	149
<b>Total Expenses</b>		<b>9,758</b>	<b>10,492</b>	<b>7,750</b>
Less:				
Retained Revenue				
Sale of goods and services	3(a)	823	550	465
Investment income	3(b)	61	30	51
Grants and contributions	3(c)	8	0	0
Other revenue	3(d)	32	32	53
<b>Total Retained Revenue</b>		<b>924</b>	<b>612</b>	<b>569</b>
<b>Gain/(loss) on disposal of non-current assets</b>	4	<b>(11)</b>	<b>0</b>	<b>(6)</b>
<b>Net Cost of Services</b>	19	<b>8,845</b>	<b>9,880</b>	<b>7,187</b>
<b>Government Contributions</b>				
Recurrent appropriation	5	9,005	9,183	7,009
Capital appropriation	5	344	344	202
Acceptance by the Crown Entity of employee entitlements and other liabilities	6	387	636	442
<b>Total Government Contributions</b>		<b>9,736</b>	<b>10,163</b>	<b>7,653</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES</b>				
		<b>891</b>	<b>283</b>	<b>466</b>
<b>TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY</b>				
		<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>				
	15	<b>891</b>	<b>283</b>	<b>466</b>

[The accompanying notes form part of these statements]

	Notes	Actual 2002 \$'000	Budget 2002 \$'000	Actual 2001 \$'000
<b>Assets</b>				
<b>Current Assets</b>				
Cash	8	1,605	666	640
Receivables	9	563	385	378
Other	10	92	0	0
<b>Total Current Assets</b>		<b>2,260</b>	<b>1,051</b>	<b>1,018</b>
<b>Non Current Assets</b>				
Property, Plant and Equipment				
– Plant and Equipment	11	665	663	462
Total Property, Plant and Equipment		665	663	462
<b>Total Non-Current Assets</b>		<b>665</b>	<b>663</b>	<b>462</b>
<b>Total Assets</b>		<b>2,925</b>	<b>1,714</b>	<b>1,480</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables	12	281	251	271
Employee entitlements and other provisions	13	764	660	660
Other	14	502	73	102
<b>Total Current Liabilities</b>		<b>1,547</b>	<b>984</b>	<b>1,033</b>
<b>Non-Current Liabilities</b>				
Other	14	40	0	0
<b>Total Non-Current Liabilities</b>		<b>40</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>		<b>1,587</b>	<b>984</b>	<b>1,033</b>
<b>Net Assets</b>		<b>1,338</b>	<b>730</b>	<b>447</b>
<b>Equity</b>				
Accumulated Funds		1,338	730	447
<b>Total Equity</b>		<b>1,338</b>	<b>730</b>	<b>447</b>

[The accompanying notes form part of these statements]

# STATEMENT OF CASH FLOWS

for the year ended 30 June 2002



	Notes	Actual 2002 \$'000	Budget 2002 \$'000	Actual 2001 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Employee related		(4,934)	(5,529)	(3,973)
Other		(4,749)	(4,895)	(3,715)
<b>Total Payments</b>		<b>(9,683)</b>	<b>(10,424)</b>	<b>(7,688)</b>
<b>Receipts</b>				
Sale of goods and services		656	550	290
Interest received		54	30	30
Other		556	513	361
<b>Total Receipts</b>		<b>1,266</b>	<b>1,093</b>	<b>681</b>
<b>Cash Flows from Government</b>				
Recurrent appropriation		9,383	9,183	7,009
Capital appropriation		344	344	274
Cash reimbursements from the Crown Entity		173	174	122
Cash transfers to the Consolidated Fund		(72)		(5)
<b>Net Cash Flow From Government</b>		<b>9,828</b>	<b>9,701</b>	<b>7,400</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	19	<b>1,411</b>	<b>370</b>	<b>393</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of Plant and Equipment		1	0	0
Purchases of Plant and Equipment		(447)	(344)	(202)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(446)</b>	<b>(344)</b>	<b>(202)</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>				
Opening cash and cash equivalents		640	640	449
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	8	<b>1,605</b>	<b>666</b>	<b>640</b>

[The accompanying notes form part of these statements]

# SUPPLEMENTARY FINANCIAL STATEMENTS

## PROGRAM STATEMENT - EXPENSES AND REVENUES

for the year ended 30 June 2002

	Program 1	
	2002 \$'000	2001 \$'000
<b>Expenses and Revenues</b>		
<b>Expenses</b>		
Operating Expenses:		
Employee Related	5,252	4,404
Other Operating Expenses	4,315	3,162
Maintenance	38	35
Depreciation	153	149
<b>Total Expenses</b>	<b>9,758</b>	<b>7,750</b>
<b>Retained Revenue:</b>		
Sale of Goods and Services	823	465
Investment Income	61	51
Grants and Contributions	8	0
Other Revenue	32	53
<b>Total Retained Revenue</b>	<b>924</b>	<b>569</b>
Gain/(loss) on disposal of Non-current assets	(11)	(6)
<b>NET COST OF SERVICES</b>	<b>8,845</b>	<b>7,187</b>
Government Contributions	9,736	7,653
<b>NET EXPENDITURE/(REVENUE) FOR THE YEAR</b>	<b>(891)</b>	<b>(466)</b>
<b>Administered Revenues</b>		
<b>Consolidated Fund</b>		
– Electricity Retail Supplier Licences	368	220
– Electricity Retail Distributor Licences	0	110
– Gas Supplier Authorisations	1,808	2
– Gas Reticulator Authorisations	1,965	0
– Gas Distributor Licences	3	0
– Application Fees	3	4
<b>Total Administrated Revenues</b>	<b>4,147</b>	<b>336</b>

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



# SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

for the year ended 30 June 2002



	2002				2001			
	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
<b>Original Budget Appropriation/Expenditure</b>								
– Appropriation Act	9,183	8,805	344	344	5,478	5,475	74	74
– s 24 PF&AA transfers of functions between departments	0	0	0	0	1,184	884	0	0
	<b>9,183</b>	<b>8,805</b>	<b>344</b>	<b>344</b>	<b>6,662</b>	<b>6,359</b>	<b>74</b>	<b>74</b>
<b>Other Appropriation/Expenditure</b>								
– Treasurer’s Advance	691	200	0	0	650	650	200	128
– Section 22-expenditure for certain works and services	0	0	0	0	0	0	0	0
	<b>691</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>650</b>	<b>650</b>	<b>200</b>	<b>128</b>
<b>Total Appropriations/ Expenditure (includes transfer payments)</b>	<b>9,874</b>	<b>9,005</b>	<b>344</b>	<b>344</b>	<b>7,312</b>	<b>7,009</b>	<b>274</b>	<b>202</b>
<b>Amount drawn down against Appropriation</b>		<b>9,383</b>		<b>344</b>		<b>7,009</b>		<b>274</b>
<b>Liability to Consolidated Fund</b>		<b>378</b>		<b>0</b>		<b>0</b>		<b>72</b>

## Notes to Summary of Compliance with Financial Directives

- The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).
- The Liability to Consolidated Fund represents the difference between the “Amount drawdown against Appropriations” and the “Total expenditure/Net claim on Consolidated Fund”.
- The net claim on Consolidated Fund is less than the original appropriation due to less than budgeted expenditure for employee related expenses. This follows delays in recruiting staff for the Tribunal’s expanded licensing responsibilities.

# NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS



for the financial year ended 30 June 2002

## 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 NSW Total State Sector and as part of the NSW 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 Australia 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.

### (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 and 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.

### (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 (including grants and donations) 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, 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.

#### (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) *Investment Income*

Interest revenue is recognised as it accrues.

### (e) Employee Entitlements

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

Liabilities for salaries and wages, 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.

# NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2002



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.

## (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	25.00
General Plant and Equipment	14.29
Fixtures and Fittings	10.00

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

## (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.

# NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS



for the financial year ended 30 June 2002

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) Receivables

Receivables are recognised and carried at cost, based on 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) Other assets

Prepayments are recognised on a cost basis.

## (p) 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) 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 2002



	2002 \$'000	2001 \$'000
<b>2. Expenses</b>		
<b>(a) Employee Related Expenses</b>		
<b>Employee related expenses comprise the following specific items:</b>		
- Salaries and wages (including recreation leave)	4,549	3,713
- Superannuation	259	268
- Payroll tax on superannuation	16	17
- Long service leave	112	157
- Workers compensation insurance	22	16
- Payroll and fringe benefits tax	294	233
	<b>5,252</b>	<b>4,404</b>
Employee related expenses includes \$62,426 (2000-01 \$56,938) in payments to temporary members of the Tribunal. There was no employee related expense included in maintenance expense and/or capitalised.		
<b>(b) Other Operating Expenses</b>		
- Auditor's remuneration (audit of the financial reports)	23	21
- Operating lease rental expense – minimum lease payments	411	324
- Insurance	8	7
- Corporate services	89	89
- Consultancies and contractors	2,630	1,512
- Travel expenses	72	71
- EDP expenses	296	391
- Legal fees	214	229
- Other operating expenses	572	518
	<b>4,315</b>	<b>3,162</b>
<b>(c) Depreciation and Amortisation</b>		
Depreciation – Plant and Equipment	153	149
	<b>153</b>	<b>149</b>

# NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS



for the financial year ended 30 June 2002

	2002 \$'000	2001 \$'000
<b>3. Revenues</b>		
<b>(a) Sale of goods and services</b>		
– Rendering of services (reimbursement of both external consultancies and in-house costs)	823	465
	<b>823</b>	<b>465</b>
<b>(b) Investment income</b>		
– Interest	61	51
	<b>61</b>	<b>51</b>
<b>(c) Grants and contributions</b>		
– Budget sector entities	8	0
	<b>8</b>	<b>0</b>
<b>(d) Other revenue</b>		
– Lease incentive amortisation	30	46
– Other	2	7
	<b>32</b>	<b>53</b>
<b>4. Gain/(Loss) on Disposal of Non-current Assets</b>		
– Proceeds from disposal	1	0
– Written down value of assets disposed	(12)	(6)
	<b>(11)</b>	<b>(6)</b>
<b>5. Appropriations</b>		
<b>Recurrent appropriations</b>		
– Total recurrent drawdowns from Treasury (per Summary of Compliance)	9,383	7,009
– Less: Liability to Consolidated Fund (per Summary of Compliance)	378	0
	<b>9,005</b>	<b>7,009</b>
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	9,005	7,009
<b>Total</b>	<b>9,005</b>	<b>7,009</b>
<b>Capital appropriations</b>		
– Total capital drawdowns from Treasury (per Summary of Compliance)	344	274
– Less: Liability to Consolidated Fund (per Summary of Compliance)	0	72
	<b>344</b>	<b>202</b>
Comprising:		
Capital appropriations (per Statement of Financial Performance)	344	202
<b>Total</b>	<b>344</b>	<b>202</b>



# NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2002



	2002 \$'000	2001 \$'000
<b>6. Acceptance by the Crown Entity of Employee Entitlements and Other Liabilities</b>		
The following liabilities and/or expenses have been assumed by the Crown Entity.		
– Superannuation	259	268
– Long service leave	112	157
– Payroll tax	16	17
	<b>387</b>	<b>442</b>
<b>7. Programs/activities of the Independent Pricing and Regulatory Tribunal</b>		
<b>Program 1 – Pricing Regulation</b>		
<i>Objective:</i> 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.		
<b>8. Current Assets - Cash</b>		
<b>Cash comprises:</b>		
– Cash at bank and on hand	1,605	640
	<b>1,605</b>	<b>640</b>
For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank. 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)	1,605	640
<b>Closing Cash and Cash Equivalents (per Statement of Cash Flows)</b>	<b>1,605</b>	<b>640</b>
<b>9. Current Assets - Receivables</b>		
<b>Current Receivables comprise:</b>		
– Sale of goods and services	438	271
– Interest Receivable	36	29
– GST receivable from Australian Taxation Office	77	65
– Other	12	13
	<b>563</b>	<b>378</b>

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 2002

	2002 \$'000	2001 \$'000
<b>10. Current Assets - Other</b>		
– Prepayments	92	0
	<b>92</b>	<b>0</b>
<b>11. Non-Current Assets - Property, Plant and Equipment</b>		
<b>Plant and Equipment</b>		
At Cost	1,321	1,001
Accumulated Depreciation at Cost	656	539
<b>Total Property Plant and Equipment at Net Book Value</b>	<b>665</b>	<b>462</b>

### 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.

<b>Plant and Equipment</b>	<b>\$'000</b>
<b>2002</b>	
Carrying amount at start of year	462
Additions	368
Disposals	(12)
Depreciation expense	(153)
Carrying amount at end of year	<b>665</b>
<b>2001</b>	
Carrying amount at start of year	341
Additions	276
Disposals	(6)
Depreciation expense	(149)
Carrying amount at end of year	<b>462</b>

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

	Number	Cost
Computer Hardware	25	\$72,635
Office Equipment	6	\$20,918

# NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2002



	2002 \$'000	2001 \$'000
<b>12. Current Liabilities - Payables</b>		
<b>Current Liabilities – Payables</b>		
– Creditors	281	271
	<b>281</b>	<b>271</b>
<b>13. Current Liabilities – Employee Entitlements and Other Provisions</b>		
– Recreation leave	543	477
– Accrued salaries and wages	111	94
– Accrued employee related payments	110	89
<b>Aggregate employee entitlements</b>	<b>764</b>	<b>660</b>
<b>14. Current Liabilities – Other</b>		
<b>Current</b>		
– Liability to Consolidated Fund	378	72
– Lease incentive	16	30
– Prepaid revenue	108	0
	502	102
<b>Non-Current</b>		
– Lease incentive	40	0
	<b>542</b>	<b>102</b>
<b>15. Changes in Equity</b>		
		<b>Total Equity</b>
<b>Accumulated Funds</b>		
<b>Balance at the beginning of the financial year</b>	447	(19)
<b>Changes in equity- other than transactions with owners as owners</b>		
Surplus/(deficit) for the year	891	466
<b>Balance at the end of the financial year</b>	<b>1,338</b>	<b>447</b>

# NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS



for the financial year ended 30 June 2002

	2002 \$'000	2001 \$'000
<b>16. Commitments for Expenditure</b>		
<b>(a) Capital Commitments</b>		
Aggregate capital expenditure for the acquisition of plant and equipment contracted for at balance date and not provided for:		
– Not later than one year	41	6
<b>Total</b> (including GST)	<b>41</b>	<b>6</b>
<b>(b) Other Expenditure Commitments</b>		
Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:		
– Not later than one year	88	1
<b>Total</b> (including GST)	<b>88</b>	<b>1</b>
<b>(c) Operating Lease Commitments</b>		
Office accommodation lease for levels 2 and 6, 44 Market Street, Sydney expiring in January 2008.		
Future non-cancellable operating lease rentals not provided for and payable:		
– Not later than one year	573	262
– Later than one year and not later than five years	2,292	0
– Later than five years	28	0
<b>Total</b> (including GST)	<b>2,893</b>	<b>262</b>

### Contingent Asset

The total Commitments other expenditure above includes input tax credits of \$276,000 that are expected to be recoverable from the Australian Taxation Office.

### 17. Contingent Liabilities

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

# NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2002



## 18. Budget Review

### Net Cost of Services

Actual Net Cost of Services was lower than budget by \$1.035 million. This is primarily due to under budget expenditure on Employee expenses due to delays in recruitment and higher than anticipated staff turnover. Higher than expected revenue also impacted the net cost of service. The Tribunal undertook a number of reviews for external parties that it had not anticipated at the time of preparing the budget. This included work for the Independent Competition and Regulatory Commission.

### Assets and Liabilities

#### Current Assets:

Total current assets exceeded budget by \$1.209 million. This was due to unspent additional revenue and under expenditure of the Recurrent Appropriation. This is reflected in the liability to Consolidated Fund of \$378,000. The Tribunal also received prepaid revenue of \$108,000 which relates to prepaid fees for a conference the Tribunal is to hold in July 2002.

#### Non-Current Assets:

Plant and Equipment was close to the budgeted amount.

#### Current Liabilities:

Total current liabilities exceeded budget by \$563,000. This was due to employee entitlements being \$104,000 higher than budget due to greater than anticipated entitlements for the additional licensing staff. The actual result was also impacted by the unexpected prepaid revenue related to the Tribunal conference to be held in July 2002. In addition, the liability to Consolidated Fund of \$378,000 was not anticipated at the time of preparing the budget.

### Cash Flows

Cash flows from operating activities exceeded budget by \$1.041 million due to additional recurrent funding for compliance audits, lower than expected payments for employee related expenses because of a delay in recruitment and higher than anticipated external work for bodies such as the Independent Competition and Regulatory Commission.

Cash flows from investing activities was \$102,000 higher than budget primarily because the Tribunal paid a capital accrual from the prior year in 2001–02.

	2002 \$'000	2001 \$'000
<b>19. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services</b>		
Net Cash from operating activities	1,411	393
– Cash Flows from Government/Appropriations	(9,900)	(7,405)
– Acceptance by the Crown Entity of employee entitlements and other liabilities	(214)	(320)
– Depreciation	(153)	(149)
– Net (loss)/gain on sale of plant and equipment	(11)	(6)
– Decrease/(increase) in provisions	(104)	(111)
– Increase/(decrease) in prepayments and other assets	277	247
– Decrease/(increase) in creditors	(89)	114
– Decrease/(increase) in other liabilities	(62)	50
<b>Net Cost of Services</b>	<b>(8,845)</b>	<b>(7,187)</b>

# NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS



for the financial year ended 30 June 2002

	2002 \$'000	2001 \$'000
<b>20. Administered Assets and Liabilities</b>		
<b>Administered Assets</b>		
– Cash	1	0
– Receivables	3,760	80
<b>Total Administered Assets</b>	<b>3,761</b>	<b>80</b>
<b>Administered Liabilities</b>		
– Liability to Consolidated Fund	3,761	80
<b>Total Administered Liabilities</b>	<b>3,761</b>	<b>80</b>
<b>21. Administered Revenue-Schedule of Uncollected Amounts</b>		
<b>Electricity/Gas Supplier Licences</b>		
– Not later than one year	3,760	80
	<b>3,760</b>	<b>80</b>

## 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 3.52% (4.83% in 2000-01) and at year end the rate was 3.73% (4.00% at 30 June 2001).

### 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 2000-01).

## 23. After Balance Date Events

There were no events occurring after reporting date requiring disclosure.

(END OF AUDITED FINANCIAL STATEMENTS)



# APPENDIX 1

## LEGISLATIVE PROVISIONS

IPART was established under the *Independent Pricing and Regulatory Tribunal Act 1992*. It performs functions under this Act, and also under the *Gas Supply Act 1996*, *Gas Pipelines Access (New South Wales) Act 1998*, *Electricity Supply Act 1995*, *Hunter Water Act 1995*, *Sydney Water Act 1994*, the *Sydney Water Catchment Management Act 1998*, and the *Water Management Act 2002*.

IPART also has significant functions under the National Electricity Code and the National Third Party Access Code for Natural Gas Pipeline Systems, and has minor functions under the *Prices Regulation Act 1948*, the *Gaming Machines Act 2001* and the *Motor Accidents Compensation Act 1999*.

### 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
- ▼ Regulating water, electricity and gas licences (from November 2000)
- ▼ Investigating complaints under the competitive neutrality regime.

#### Regulating prices and reviewing pricing policies

IPART's powers relate only to the maximum prices of government monopoly services supplied by NSW government agencies. It 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 that there:

- ▼ Are no other suppliers of the service to provide competition in that part of the market
- ▼ Is no contestable market by potential suppliers in the short term in that part of the market.

#### Services that have been declared government monopoly services are:

- ▼ Urban water services supplied by the Sydney Water Corporation, Hunter Water Corporation, Gosford City Council and Wyong Shire Council
- ▼ Regular passenger services supplied by the State Transit Authority
- ▼ Railway passenger services supplied the State Rail Authority, under the name 'CityRail'
- ▼ Valuer-General services of providing valuation lists and supplementary lists under Part 5 of the Valuation of Land Act 1919 to a local council
- ▼ Local water, sewerage and drainage services provided by a local council
- ▼ Water supply services provided by the Sydney Catchment Authority
- ▼ Waste disposal services that involves the disposal of putrescible waste as landfill by the Waste Recycling and Processing Service
- ▼ Water supply schemes provided by the County Councils of Central Tablelands, Lower Clarence and Rouse and the electricity distributors of Northern Riverina Electricity, NorthPower and Southern Riverina Electricity
- ▼ Bulk water services provided by the Water Administration Ministerial Corporation.

#### 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. The first is by *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.

The second is by *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.

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

- ▼ Sydney Water Corporation Limited
- ▼ Hunter Water Corporation Limited
- ▼ Water supply authorities constituted under the Water Management Act 2000
- ▼ County councils established for the supply of water
- ▼ 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 a document 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, it may direct that evidence be considered in private and may restrict access to confidential documents.

### ***Matters IPART must consider***

Under Section 15 of the Act, IPART is required to consider a range of issues when making determinations and recommendations, and to report on what regard it has had to each. These issues 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
- ▼ The impact on pricing of borrowing, capital and dividend requirements

# APPENDIX 1

## LEGISLATIVE PROVISIONS

continued...

- ▼ 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.

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

### *How IPART sets maximum prices*

IPART may set maximum prices in either of two ways. The first is by *determining maximum prices*. IPART may do this in any way it considers appropriate (Section 14), including fixing:

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

IPART may fix such a price by reference to:

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

The second way is by *establishing a methodology for determining maximum prices*. If IPART considers that it is impracticable to make a determination for fixing the maximum prices, under Section 14A it may determine a methodology to be used by the agency to fix the maximum price. Setting a methodology may include reference to maximum revenue, or maximum rate of increase or decrease in maximum revenue for a number of categories of the service concerned.

In determining the maximum price for a government monopoly service, IPART may be directed by a Portfolio Minister to include an amount representing the efficient cost of complying with a Ministerial directive or a requirement imposed under a licence, authorisation or under a statutory instrument on the agency (Section 16 A).

### *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).

### *Reviewing industries, 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, IPART is not required to specifically have regard to the various issues listed in Section 15 of the Act.

### Arbitrating 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 rail. In carrying out these arbitration functions, IPART may appoint an arbitrator from a panel approved by the Premier<sup>5</sup> 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.

### Registering 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. It is required to register all such agreements (Section 12D).

### Regulating licences

Since November 2000, IPART has had responsibility for ensuring regulated entities are meeting their licence requirements for quality of product, environmental 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 matters such as making recommendations to the Minister for or with respect to:

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

To fulfil this role, IPART monitors licence compliance and reports annually to the Minister regarding such compliance. The Ministry continues to be responsible for policy making. It also has specific licence auditing responsibilities for the electricity and water industries.

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

### Investigating complaints under competitive neutrality regime

The Government has assigned IPART part responsibility for investigating and reporting on 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 on any such complaint referred by the Minister, and make its report publicly available. The IPART Act lays down the processes IPART is to follow in investigating such a complaint.

### Providing assistance to other agencies

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

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<sup>5</sup> For arbitration of access to gas distribution networks where IPART appoints the panel.

# APPENDIX 1

## LEGISLATIVE PROVISIONS

continued...

### Gas Supply Act 1996

The *Gas Supply Act 1996* enables IPART to establish pricing mechanisms known as gas pricing orders that regulate the tariffs, fees, charges and other payments that a standard supplier may impose for the supply of natural gas to small retail customers under standard form customer supply contracts. Section 27 of this Act 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.

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.

The access regulation functions IPART previously undertook under the Gas Supply Act are now undertaken under the National Gas Code (see below).

### National Gas Code

Under the *National Third Party Access Code for Natural Gas Pipeline System* (the Gas Code) the Tribunal is the Relevant Regulator in relation to distribution pipelines that are within NSW. Under the Gas Code, the key functions of the Tribunal are to:

- ▼ Approve associate contracts entered into by owners or operators of a gas pipeline
- ▼ Approve Access Arrangements which set out the basic terms and conditions under which access will be made available by an owner or operator of a covered pipeline
- ▼ Arbitrate access disputes.

### National Electricity Code

Under the National Electricity Code, IPART as jurisdictional regulator is responsible for determining the general level of distribution service prices and/or aggregate annual revenue requirement for electricity distribution network services in accordance with pricing methods and regulatory principles set out in Part D, Chapter 6 of the National Electricity Code.

### Electricity Supply Act

The *Electricity Supply Act 1995* provides the framework for introducing full retail competition in the NSW electricity industry. Under this Act, IPART is responsible for setting regulated retail tariffs for electricity and regulated retail charges. IPART also has a standing reference to determine the proportion of connection costs that a distribution network service provider may pass on to new customers and related matters.

The scheme for determining tariffs and charges is as follows:

- ▼ The Minister may give a reference as to the matter of a determination to IPART, or IPART may request a referral
- ▼ IPART is to investigate and report in accordance with the reference.

IPART may determine, in its report, the regulated retail tariffs and regulated retail charges but must have regard to matters set out in the reference and the effect of the determination on competition in the retail electricity market.

## APPENDIX 2

# PUBLIC HEARINGS AND SUBMISSIONS

During 2001/2002, the Tribunal held 56 meetings, and hosted 1 public hearing and 4 public workshops. The Chairman, Dr Thomas Parry, attended 47 of these meetings and the full-time member, Mr James Cox, 55 meetings. Other members attended according to their expertise and availability. Ms Cifuentes attended 50 meetings, 1 public hearing and 4 public workshops, Prof Warren Musgrave attended 9 meetings and 1 public workshop.

### Public hearings and workshops, 2001/02

Date	Investigation	Venue
20 November 2001	Review of Operating Licence for Hunter Water Corporation (public workshop)	Newcastle
21 February 2002	Review of Economic Regulation for NSW Electricity Network Charges (public forum)	Sydney
19 April 2002	Undergrounding Electricity Cables in NSW (public forum)	Sydney
3 May 2002	Mid-term review of Regulated Retail Prices for Electricity 2004 (public forum)	Sydney
10 May 2002	Determination of Passenger Transport Fares from July 2002 (public hearing)	Sydney

The Tribunal invited stakeholders and the public to make submissions to the 16 investigations it completed during 2001/02, and received a total of 359 submissions. It also received a further 42 submissions to investigations it commenced during this year, but has not yet completed.

### Submissions to investigations completed during 2001/02

*Closure date = day submissions close*

Closure Date	Investigation	Submissions
10-Aug-01	Comments on Ring Fencing - Draft Report	16
3-Sept-01	2000/01 Operational Audit of Sydney Water Corporation	0
26-Oct-01	Proposed Accounting Separation Code of Practice for Regulation of Electricity Businesses in NSW	10
9-Nov-01	Bulk Water Prices from 1 July 2001 - Comments on Draft Report	24
10-Nov-01	Review of Delivered Price of Natural Gas, Low-Usage Customers by Country Energy	2
23-Nov-01	Capital Contributions for NSW Electricity DNSPs - Comments	8
12-Dec-01	Review of Operating Licence for Hunter Water Corporation	36
22-Mar-02	Determination - Transport Prices - STA and SRA 02	19
22-Mar-02	Mid-term Review of Regulated Retail Prices for Electricity 2004	25
22-Mar-02	Review of the Retailer of Last Resort Transfer Fee	6
12-Apr-02	Comments on Distributed Generation Discussion Paper	7
26-Apr-02	Undergrounding Electricity Cables in NSW	82
29-Apr-02	Determination of Fares for Taxis, Private Buses and Private Ferries	37
3-May-02	Mid-term Reviews of SWCs and SCAs Operating Licences	36
30-May-02	Form of Economic Regulation for NSW Electricity Network Charges	14
12-Jun-02	Demand Management and Other Options in the Provision of Energy Services	37

### Submissions to investigations commenced but not completed in 2001/02

Closure Date	Investigation	Submissions
1-Jul-02	Notice of Review of Initial Metrology Procedures	8
15-Jul-02	Review of Prescribed Distribution Services	5
16-Aug-02	Review of Electricity and Gas Licensing Regimes in NSW	27
15-Nov-02	Review of Prices - Metropolitan Water, Sewerage and Drainage Services	2



## APPENDIX 3

### PUBLICATIONS

Date released	Title	Ref. No.
<b>Electricity</b>		
25-Jun-02	Notice under clause 6.10.3 of the National Electricity Code - Economic Regulatory Arrangements	NCR-10
24-Jun-02	Mid-term review of regulated retail prices for electricity to 2004 - Report and Determination to the Minister for Energy	Det02-4
21-Jun-02	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
14-Jun-02	Review of Electricity and Gas Licensing Regimes in NSW - Draft Report	S9-8
3-Jun-02	Review of Prescribed Distribution Services	DP54
14-May-02	Clause 6.10.1(f) National Electricity Code Rule 2001/2 Charges for miscellaneous services provided by distribution network service providers	NCR-4
14-May-02	Clause 6.10.1(f) National Electricity Code Rule 2001/1 Miscellaneous Amendment Rule	NCR-3
9-May-02	Notice of Review of Initial Metrology Procedures	NCR-9
6-May-02	Draft Notice Under Clause 6.10.3 of the National Electricity Code - Economic Regulatory Arrangements	NCR-8
30-Apr-02	Inquiry into the Role of Demand Management and Other Options in the Provision of Energy Services	Rev02-1
12-Apr-02	Capital Contributions and Repayments for Connections to Electricity Distribution Networks in New South Wales - Final Report	Det02-1
9-Apr-02	Undergrounding Electricity Cables in New South Wales - An Interim Report to the Minister for Energy	S9-6
14-Mar-02	Distributed Generation - Discussion Paper	DP52
12-Mar-02	Electricity distribution and retail licences Compliance report for 2000/01 - Report to the Minister for Energy	CP-5
18-Feb-02	Mechanisms for Promoting Societal Demand Management - Prepared for IPART by Energy Futures Australia Pty Ltd	Rp19
18-Feb-02	Efficient Network Pricing and Demand Management - Prepared for IPART by East Cape Pty Ltd	Rp18
19-Oct-01	Capital Contributions for New South Wales Electricity Distribution Network Service Providers - Draft Report	DP50
10-Aug-01	Form of Economic Regulation for NSW Electricity Network Charges - Discussion Paper	DP48
25-Jul-01	Inquiry into the Role of Demand Management and Other Options in the Provision of Energy Services - Issues Paper	DP47
6-Jul-01	Price and Service Report - NSW Electricity Distribution Businesses 1999/2000	OP-10
<b>Water</b>		
11-Jun-02	Review of Prices for Metropolitan Water, Sewerage and Drainage Services - Issues Paper	Dp55
17-Apr-02	Sydney Water Corporation Operational Audit	CP-6
18-Mar-02	Sydney Water Corporation Customer Contract	
14-Mar-02	Mid-Term Reviews of Sydney Water Corporation and Sydney Catchment Authority's Operating Licences	DP53

## APPENDIX 3 PUBLICATIONS

continued...

Date released	Title	Ref. No.
<b>Water</b>		
17-Dec-01	Hunter Water Corporation Operational Audit 2000/2001	CP-4
12-Dec-01	Department of Land and Water Conservation Bulk Water Prices from 1 October 2001	Det01-3
10-Dec-01	Sydney Catchment Authority Operational Audit 2000/2001	CP-3a CP-3b CP-3c
5-Oct-01	Department of Land and Water Conservation Bulk Water Prices from 1 October 2001 - Draft Report	DP49
11-Sep-01	Review of System Performance Standards in Sydney Water Corporation's Operating Licence - Report to Minister for Energy 11 April 2001	S9-5
19-Jul-01	Review of Operating Licence for Hunter Water Corporation	DP46
<b>Public Transport</b>		
24-Jun-02	CityRail and STA Buses and Ferries - Public Transport Fares - from 1 July 2002	Det02-2&3
Feb-02	Review of fares for taxis, private buses and private ferries in NSW - An Issues Paper	Dp51
<b>Gas</b>		
14-Jun-02	Review of Electricity and Gas Licensing Regimes in NSW - Draft Report	S9-8
Dec-01	Review of the Delivered Price of Natural Gas to Low-Usage Customers Served by Country Energy - Final Report	Gas01-07
Oct-01	Review of the Delivered Price of Natural Gas to Low-Usage Customers Served by Country Energy - Draft Report	Gas01-06
Oct-01	Associate Contract Guidelines	Gas01-05
July-01	Draft Associate Contract Guidelines	Gas01-04
<b>Taxi / Hire Car</b>		
Jul-02	Report to the NSW Minister for Transport - Report on NSW Taxi Fares - Released by Department of Transport	
Feb-02	Review of fares for taxis, private buses and private ferries in NSW - An Issues Paper	DP50
<b>Other Publications</b>		
19-Jun-02	Regulatory Impact Statement - Independent Pricing and Regulatory Tribunal Regulation 2002	OP-12
Sep-01	Business Plan 2001/02 - 2004/05	BP01-05
Aug-01	Recovery of Full Retail Contestability Costs by New South Wales Energy Businesses	OP-11
<b>Annual Report</b>		
Nov-01	Annual Report 2000/2001 1 - Main 2 - Finance 3 - Appendices	AR00-01-1 AR00-01-2 AR00-01-3

## **APPENDIX 4**

# **STAFFING AND CONSULTANTS**

### **Staffing and equal opportunity policies**

Although the Central Corporate Service Unit provides IPART with personnel support services, IPART has developed its own Equal Employment Opportunity (EEO) policy and strategies, which take into account the special factors affecting an organisation with a small number of staff.

IPART's EEO Management Plan 2002 – 2005 includes the following priorities:

- ▼ Implement internal policies addressing EEO, harassment-free workplace and grievance handling
- ▼ Participate in the Traineeships for People with a Disability program
- ▼ Encourage training and development for staff from non-English speaking backgrounds
- ▼ Investigate ways to participate in the Migrant Work Experience Program
- ▼ Investigate methods to recruit Aboriginal and Torres Strait Islander Staff
- ▼ Conduct a Staff Climate Survey.

The outcomes of this plan to date include:

- ▼ Participated in the Traineeship for People with a Disability program, resulting in the temporary employment of a young trainee in the support services area
- ▼ Developed and implemented key internal EEO policies through staff consultation and the activities of internal committees
- ▼ The Anti-Discrimination Board conducted seminars for all staff and specialist seminars for those with management responsibilities, to facilitate implementation of EEO policies
- ▼ Staff from non-English speaking background attended training to increase skills, including Skillmax, and study leave programs.

In addition, IPART's workplace committees, such as the Joint Consultative Committee and the Occupational Health & Safety Committee, include equal male and female representation, as well as representation from non-English speaking background personnel.

### **NSW Government Action Plan for Women**

IPART supports and, where appropriate, works with other agencies and the Department for Women to achieve the whole-of-government approach for addressing the concerns and interests of the women of NSW. It continuously aims to achieve the following strategies:

- ▼ Ensure that education and training is non-discriminatory
- ▼ Increase the number of women appointed to public sector boards and or committees
- ▼ Provide equal access to and participation in decision-making and leadership structures
- ▼ Support flexible working arrangements to help women balance their work and family commitments
- ▼ Ensure that women working part-time hours have access to career development and promotional opportunities.

The outcomes of these strategies to date include:

- ▼ 9 out of 29 (31 per cent) female staff work part time
- ▼ Flexible working arrangements, in the form of a flexi-time system, is available to all staff in non-managerial roles, to help them meet personal needs and family obligations
- ▼ 2 out of 6 members of IPART's Core Executive are female
- ▼ Career development, in the form of acting opportunities and training support, is available to all staff, including those that work part time
- ▼ Women make up around half of all members of internal committees, including the Joint Consultative Committee and the Occupational Health & Safety Committee, and also participate in external committees such as the Equity Employment Specialists Association and Treasury Managed Fund Advisory Board
- ▼ 1 female staff member is attending the graduate certificate public sector management course (PSMC).

## Ethnic Affairs Priority Statement (EAPS)

IPART has not been identified as one of the key agencies in NSW providing essential services that need to be particularly responsive to cultural diversity. However, it is conscious that its strategies and action plans should accord with the principles of multiculturalism. It has developed the following key strategies:

- ▼ Ensure that the knowledge, understanding and implementation of the principles of cultural diversity (as they relate to the job) are part of the selection, evaluation and promotional opportunities for all staff
- ▼ Include information about EAPS in material sent to prospective job applicants
- ▼ Maintain flexible work practices that allow for cultural diversity (such as religious leave), and accommodate matters such as dietary requirements and prayer at work in accordance with needs of the individual
- ▼ Circulate information to managers to ensure they are kept up to date on EAPS issues and their responsibility in implementation where appropriate
- ▼ Provide access to IPART's information publications including tender advertisements via the Internet.

In addition, it intends to develop the following strategies in the future:

- ▼ Review position descriptions and performance agreements to ensure they reflect EAPS initiatives
- ▼ Seek to utilise qualifications and experience of staff from overseas
- ▼ Provide periodic briefing sessions, and circulate information to ensure managers are kept up to date on EAPS issues and their responsibility in implementation where appropriate
- ▼ Modify IPART's website to ensure the design and presentation of information is easy to navigate and user friendly.

## Disability Action Plan

The NSW Government Disability Policy Framework provides a whole-of-government approach to ensuring that services available to the general community are accessible to people with disabilities. In accordance with this framework, IPART is required to develop a Disability Action Plan that outlines how its office intends to adjust its services or employment practices to make them more accessible to people with disabilities. The priority areas in this plan and the outcomes achieved are as follows:

Area	Outcomes
Physical Access	<ul style="list-style-type: none"> <li>• IPART chooses venues for public consultations, hearings and meetings that are accessible to people with disabilities</li> <li>• Its meetings and conferences are held in venues that are accessible by public transport</li> </ul>
Staff Training	<ul style="list-style-type: none"> <li>• All IPART staff are familiar with internal policies on EEO and discrimination and respond sensitively to the needs of people with disabilities</li> <li>• IPART provides equal access to services and programs in the workplace</li> </ul>
Employment	<ul style="list-style-type: none"> <li>• IPART values the diversity of its workforce and appoints the person most capable of doing the job without discrimination</li> <li>• IPART is currently participating in the Traineeship for People with a Disability program. Through this program a school leaver has been temporarily appointed while completing appropriate training</li> <li>• Where required, IPART adjusts individual work stations or equipment to assist staff with disabilities in the workplace</li> </ul>

## APPENDIX 4

# STAFFING AND CONSULTANTS

continued...

### EEO statistics (total staff by level and employment basis)

#### NUMBER OF EMPLOYEES BY CATEGORY, AND COMPARISON TO PRIOR THREE YEARS, AS AT 30 JUNE 2002

	2002	2001	2000	1999
Tribunal Executive	2	2	2	2
Directors and General Managers	4	4	3	3
Program Managers	9	9	6	5
Managers	3	3	2	1
Analysts	27	22	17	18
General Counsel	1	1	1	1
Legal Officers	2	2	-	-
Clerical Officers	10	8	6	8
<b>Total number of staff includes full time, part time, temporaries and graduates</b>	<b>58</b>	<b>51</b>	<b>38</b>	<b>38</b>
Part-time Board members	1	1	1	1
Temporary members	1	1	1	3
<b>Total number of staff including members</b>	<b>60</b>	<b>53</b>	<b>40</b>	<b>42</b>

#### STAFFING BY CATEGORY

Classification	Total
Program Manager	9
Senior Analyst – level 4	6
Analyst – level 3	12
Analyst – level 2	8
Analyst – level 1	1
HR Manager	1
Office Services Manager	1
IT Manager	1
IT Assistant	1
Support Services	9
Director/Executive Contract	5
Full-time Tribunal Member	1
Legal Officer	2
Part-time Tribunal Member	2
Chairman	1
<b>Total</b>	<b>60</b>

# APPENDIX 4 STAFFING AND CONSULTANTS

continued...

## Percentage of total staff by employment basis

Level	TOTAL STAFF (Number)	Respondents %	Subgroup as % of Total Staff at each Level		Subgroup as Estimated % of Total Staff at each Level				
			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 %	People with a Disability Requiring Work-related Adjustment %
<b>Table 1 - Per cent of Total Staff by Level</b>									
< \$27,606	1	100	100					100	100.0
\$27,606 - \$40,535	2	100	100						
\$40,536 - \$51,293	6	100	50	50		17	17		
\$51,294 - \$66,332	15	93	20	80		43	43	7	
> \$66,332 (non SES)	34	74	62	38		4	4		
<b>TOTAL</b>	<b>58</b>	<b>83</b>	<b>52</b>	<b>48</b>		<b>15</b>	<b>15</b>	<b>4</b>	<b>1.7</b>
Estimated Subgroup Totals	48	30	28			9	9	2	1

Employment Basis	TOTAL STAFF (Number)	Respondents %	Subgroup as % of Total Staff in each Category		Subgroup as Estimated % of Total Staff in each Employment Category				
			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 %	People with a Disability Requiring Work-related Adjustment %
<b>Table 2 - Per cent of Total Staff by Employment Basis</b>									
Permanent Full-time	42	81%	57%	43%		18%	18%	3%	
Permanent Part-time	8	100%		100%		25%	25%		
Temporary Full-time	1	100%	100%					100%	100.0%
Temporary Part-time									
Contract - SES									
Contract - Non SES	7	71%	71%	29%					
Training Positions									
Retained Staff									
Casual									
<b>TOTAL</b>	<b>58</b>	<b>83%</b>	<b>52%</b>	<b>48%</b>		<b>16%</b>	<b>16%</b>	<b>4%</b>	<b>1.7%</b>
Estimated Subgroup Totals		48	30	28		9	9	2	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 of non-response to the EEO data collection. EEO statistics reported in years prior to 1998 may not be comparable due to a change in the method of estimating EEO group representation.



## **APPENDIX 4**

### **STAFFING AND CONSULTANTS**

continued...

#### **Industrial relations policies and practices and awards**

The Crown Employees (Independent Pricing and Regulatory Tribunal 2000) Award commenced in January 2001, and will remain in force until January 2004. There were no amendments to the award in this financial year.

The Joint Consultative Committee (JCC), which includes representatives from IPART and the Public Service Association, meets once every two months (or as deemed necessary by the Committee) to discuss and resolve matters raised through the JCC in the best interests of the Government, IPART and its staff. IPART's Internal policies have been implemented through this committee and continue to be reviewed or developed as required.

#### **Part-time work**

IPART provides flexible work practices in the form of flexi-time and permanent part-time arrangements, which have proved beneficial for both the employee and the organisation. These practices provide staff with flexibility to help balance their work and family responsibilities, and allow IPART to meet project deadlines.

#### **Occupational health and safety**

Following consultation with staff on the composition and structure of the committee, the Joint Consultative Committee continues to act as IPART's Occupational Health & Safety (OH&S) Committee. In response to changes in legislation, most of the committee's members undertook formal training on their OH&S obligations during this financial year. The committee plans to document its constitution, review the OH&S policy and schedule workplace audits in the coming year.

OH&S highlights for this year include:

- ▼ 40 per cent of staff were vaccinated against influenza. This vaccination was made available to all staff on a voluntary basis. The service was provided by Healthquest, Workforce Health Management
- ▼ 65 per cent of staff participated in a health assessment, made available to all staff and provided by Mayne Health. Regular monthly newsletters relating to all aspects of personal health management are circulated to staff. Newsletters are produced by Mayne Health.

There were no work related injuries or prosecutions under the Occupational Health and Safety Act for IPART during this year.

#### **Corporate Plan**

The main components of the corporate plan are shown on page 4 of this report, and progress towards meeting corporate objectives is assessed for each program element on pages 6 to 10. The plan is available on request and may be viewed or downloaded from IPART's website.

## APPENDIX 4 STAFFING AND CONSULTANTS

continued...

### Contract executive profile

All IPART's executive staff are employed under contract, 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.

### Salaries of statutory appointees and contract executives

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 \$163,605). At IPART, this applies to:

Name	Position	Total Salary Package
Thomas G. Parry	Chairman	\$295,487
James Cox	Full Time member	\$211,900
Colin Reid	Director Water & Transport	\$169,950
Eric Groom	Director Analysis & Policy Development	\$164,800
Fiona Towers	Director Energy	\$166,666

#### **Thomas G. Parry**

*Chairman*

*Appointed on 1 July 1992*

The Premier has indicated that during 2001/02 Dr Parry met the performance criteria established for the position of Chairman. The key achievements for 2001/02 were:

- ▼ Ensured that IPART had the capabilities and resources to deliver quality reports and determinations
- ▼ Chaired Tribunal meetings and public hearings and ensured that IPART met its public access and statutory obligations
- ▼ Managed key external relationships and communicated IPART's vision, plans and achievements.

#### **James Cox**

*Full Time member*

*Appointed on 17 August 1992*

The Premier has expressed satisfaction with Mr Cox's performance throughout 2001/02. Mr Cox has successfully met the performance criteria contained in his performance agreement. The key achievements for 2001/02 were:

- ▼ Contributed to the quality of decision making and exercised independent judgement on matters considered by the Tribunal
- ▼ Collaborated with the Chairman to ensure the technical quality of work met IPART and key stakeholder standards
- ▼ Deputised for the Chairman as necessary and represented the Tribunal in stakeholder liaison as agreed with the Chairman.

#### **Colin Reid**

*Director Water & Transport*

*Appointed on 24 August 1992*

The Chairman has expressed satisfaction with Mr Reid's performance throughout 2001/02. Mr Reid has successfully met the performance criteria contained in his performance agreement. The key achievements for 2001/02 were:

- ▼ Managing the successful integration of metropolitan water licensing functions into the Tribunal's core activities
- ▼ Completing all scheduled projects within time and budget, and
- ▼ Assisting other government agencies (eg, the ACT's Independent Competition and Regulatory Commission and Transport NSW) in their regulatory functions within existing resource constraints.

## **APPENDIX 4**

### **STAFFING AND CONSULTANTS**

continued...

#### **Fiona Towers**

*Director Energy*

*Appointed on 20 August 1992*

The Chairman has expressed satisfaction with Ms Towers' performance throughout 2001/02. Ms Towers has successfully met the performance criteria contained in her performance agreement. The key achievements for 2001/02 were:

- ▼ Integrating the Tribunal's new energy licensing function into the energy group
- ▼ Implementing a compliance and enforcement regime for those energy licensees active in the 'small retail market' and
- ▼ Managing a number of major energy industry reviews on time and within budget.

#### **Eric Groom**

*Director Analysis & Policy Development*

*Appointed on 10 August 1992*

The Chairman has expressed satisfaction with Mr Groom's performance throughout 2001/02. Mr Groom has successfully met the performance criteria contained in his performance agreement. The key achievements for 2001/02 were:

- ▼ Developing consistency of approach and depth of analysis in strategic areas such as financial analysis and price and service quality links
- ▼ Directing review of demand management in energy and consultancy on alternative approaches to regulation (on behalf of Regulators Forum) and
- ▼ Fostering closer links with other regulators and improved awareness of relevant utility and regulatory developments.

## APPENDIX 4 STAFFING AND CONSULTANTS

continued...

### Consultants

During 2001/2002, IPART engaged the following consultants for a total expenditure of \$2,503,442.27 (Work on some of these consultancies was still proceeding at 30 June.):

#### Consultants equal to or more than \$30,000

Consultant	\$ Cost	Title/Nature
<b>Finance and accounting/tax</b>		
ACIL Consultancy Pty Ltd	\$55,442.95	Review of resources management expenditure in the NSW Dept. of Land and Water Conservation and its state water business
Centre for International Economics	\$132,784.10	Review of the cost benefits and funding for undergrounding of electricity cables
Charles River Associates (Asia Pacific) Pty Ltd	\$48,100.00	Review of the economic and financial viability of electricity demand management options
East Cape (Phil Theaker)	\$35,382.39	Research support for the electricity demand management inquiry
Ernst & Young	\$181,818.00	Effectiveness of control procedures (under Australian Accounting Standards AUS810)
Ernst & Young	\$157,096.00	Electricity Tariff Equalisation Fund follow-up
Farrier Swier Consulting	\$96,363.65	Comparison of building blocks and index-based approaches to regulation of monopoly prices
George Wilkenfeld & Associates Pty Ltd	\$39,900.00	Review of compliance with electricity retail supplier licences compliance
Meritec Limited	\$57,000.00	Review of capital contributions in the NSW electricity market
Meritec Limited	\$81,804.00	Review of undergrounding electricity cables
Montgomery Watson Harza – MWH	\$67,170.00	Review of Sydney Water Corporation's demand management program
National Economic Research Associates	\$50,000.00	Retail gas prices in the area served by Great Southern Energy and Origin Energy
National Economic Research Associates	\$228,750.00	Assistance with review of energy licensing regimes in NSW
Parsons Brinckerhoff Associates Ltd (PB Associates)	\$301,070.00	Cost recovery of full retail contestability (FRC) costs
Pricewaterhouse Coopers	\$51,943.18	Review of capital expenditure and operating expenditure in the NSW Dept. of Land and Water Conservation and its state water business
<b>Sub-total</b>	<b>\$1,584,624.27</b>	
<b>Information Technology</b>		
Spherion Education Pty Ltd	\$39,390.00	Templates and Flexi Program
<b>Sub-total</b>	<b>\$39,390.00</b>	

## APPENDIX 4

# STAFFING AND CONSULTANTS

continued...

### Consultants equal to or more than \$30,000 continued...

Consultant	\$ Cost	Title/Nature
<b>Legal</b>		
Acuiti Legal	\$65,309.00	Determination on capital contributions
Blake Dawson Waldron	\$39,652.68	Electricity regulation summary
Blake Dawson Waldron	\$55,572.00	Electricity and gas licence reference document and reporting obligations
<b>Sub-total</b>	<b>\$160,533.68</b>	
<b>Engineering</b>		
Egis Consulting Australia Pty Ltd	\$87,863.63	Operational audit of Sydney Catchment Authority
Egis Consulting Australia Pty Ltd	\$197,943.63	Operational audit of Sydney Water Corporation
Halcrow	\$135,000.00	Review of Hunter Water Corporation's system performance and customer service standards
Hyder Consulting Pty Ltd	\$36,364.00	Operational audit of Hunter Water Corporation
<b>Sub-total</b>	<b>\$457,171.26</b>	
<b>Total consultancies equal to or more than \$30,000</b>	<b>\$2,241,719.21</b>	

### Consultants less than \$30,000

During the year 23 other consultancies were engaged in the following areas:

<b>Finance and Accounting/tax</b>	\$127,505.46
<b>Information technology</b>	\$29,012.22
<b>Legal</b>	\$53,376.49
<b>Management Services</b>	\$33,828.89
<b>Engineering</b>	\$18,000.00
<b>Total consultancies less than \$30,000</b>	<b>\$261,723.06</b>
<b>Total consultancies</b>	<b>\$2,503,442.27</b>

### Code of Conduct

IPART's Code of Conduct was substantially revised and implemented this year as the Professional Standards and Behaviour Policy to address aspects of Tribunal requirements in a utility regulatory environment. The new Code is provided below.

#### 1. PROFESSIONAL STANDARDS AND BEHAVIOUR POLICY

- 1.1 High standards of professional conduct are essential to maintain public confidence and trust in the integrity and efficiency of the Independent Pricing and Regulatory Tribunal ("Tribunal").
- 1.2 This Professional Standards and Behaviour Policy ("Policy") applies to you and all staff of the Tribunal, including permanent part time, temporary and contract staff and provides staff with a guide to the Tribunal's expected standards of behaviour.
- 1.3 In general, staff of the Tribunal are expected to carry out their duties with:
 

Honesty	Integrity	Loyalty to the public interest
Timeliness	Fairness	Effectiveness and efficiency
Responsibility	Responsiveness	Innovation and initiative
- 1.4 By acting in accordance with these qualities, you and all other staff will contribute to the Tribunal's commitment to service. This involves recognising that the Tribunal's stakeholders have rights to courtesy and respect. You are expected to seek continually to improve the ways in which we deal with our stakeholders and the public in general.
- 1.5 It is important to note that this Policy is a general document only and as such does not stand alone. You should be aware of all legislation, awards, procedures, policies and instructions relevant to your position. If you are responsible for the supervision of staff you must ensure that these staff also understand this Policy and the legislation, awards, policies and instructions relevant to their positions.  
 You should be familiar with the responsibilities that are part of your employment and be aware that they impose certain conditions. These include adherence to this Code. The main legislation, policies and directions relevant to IPART staff include:
  - Anti-Discrimination Act 1977
  - Crimes Act 1900
  - Freedom of Information Act 1989
  - Independent Commission Against Corruption Act 1988 and the Commission's Guidelines for the Reporting of Corrupt Conduct
  - Industrial Relations Act 1996
  - Occupational Health and Safety Act 2000
  - Ombudsman Act 1974
  - Privacy and Personal Information Protection Act 1998
  - Protected Disclosures Act 1994
  - Public Finance and Audit Act 1983
  - Public Sector Management Act 1998
  - Administration circulars
  - Disability Strategic Plan
  - EEO Policy Statement and Plan
  - Employer Communication Devices Policy
  - Ethnic Affairs Priorities Statement
  - Grievance and Dispute Resolution Procedures
  - Harassment Prevention Policy
  - Instruments of delegation
  - Ministerial Memoranda
  - Public Service of New South Wales Personnel Handbook.
- 1.6 Legal staffs are also to take into account any obligations imposed on them as legal practitioners.
- 1.7 You need to be aware that sanctions may be applied if the Code is breached. These sanctions vary from counselling to disciplinary action, laying of criminal charges or taking civil action.

#### 2. CONFIDENTIALITY

- 2.1 Reports, papers, studies, submissions and other documents obtained during your employment that are not public and other documents which the Tribunal indicates are confidential ("confidential information") must not be disclosed by you to any person outside the Tribunal to which the confidential information was not initially given or intended, unless:
  - (a) you are authorised by the provider of the confidential information or documents, and your Director or the Chairman to do so; or
  - (b) the confidential information is already in the public domain (otherwise than as a breach of a Tribunal employee's confidentiality obligations); or
  - (c) you are required by law to disclose the confidential information.
- 2.2 You should be diligent in ensuring that confidential information relating to

matters under consideration by the Tribunal or provided to the Tribunal by third parties is not conveyed to your spouse, partner, family or friends. You also must not disclose to them any progress the Tribunal has made in relation to any issue, what issues are being discussed, or what recommendations are likely to be made by the Tribunal or staff members, if this information is not in the public domain.

- 2.3 You must not disclose the confidential information or make use of it for your own benefit or the benefit of others. If you have been given copies of confidential information you must return it to the Tribunal when your engagement ends or when requested by the Tribunal.
- 2.4 These obligations will continue even after your engagement with the Tribunal ends.

#### 3. USE OF INFORMATION

- 3.1 In addition to, and without limiting the application of, clause 2, you also must not use information or documents, which you obtain during your course of employment with the Tribunal for any purpose other than in the normal course of your employment with the Tribunal.
- 3.2 Without limiting the general possibilities in clause 3.1 or your obligations under clause 2, you must not:
  - (a) disclose information or documents to other public servants or departments without the permission of your Director;
  - (b) provide or trade confidential information or any other such information or documents for use by private investigators, banks and credit agencies;
  - (c) gossip on the basis of personal, confidential or other information held in official records;
  - (d) provide copies of papers containing confidential information as examples of work with job applications.
- 3.3 You must not purchase or sell securities, including shares, debentures, futures, units or commodities where you possess information by virtue of your employment with the Tribunal and:
  - (a) that information is not publicly available; and
  - (b) if it were publicly available, it might have a material effect on the price or value of these securities.

#### 4. INTELLECTUAL PROPERTY

- 4.1 Any intellectual property developed, invented or created by you as a result of your employment with the Tribunal, is (subject to the moral rights laws) the property of the Tribunal, unless otherwise agreed in writing between you and the Chairman.
- 4.2 Intellectual property includes, but is not limited to, copyright in reports and staff papers which an employee compiles during the course of their employment, and patent rights in any invention made by an employee in the course of their employment at the Tribunal.

#### 5. USE OF TRIBUNAL'S RESOURCES

- 5.1 All Tribunal resources (financial, material and human) must be used effectively and economically for the work of the Tribunal.
- 5.2 You are responsible for:
  - (a) looking after the Tribunal's property with which you work; and
  - (b) maintaining the integrity of the Tribunal's computer data.
 As such, your computer and other equipment must be kept secure at all times and you must ensure you are familiar with the Tribunal's policies in relation to IT security and the use of the internet.
- 5.3 Any staff member in charge of money or valuables for and/or on behalf of the Tribunal is accountable for them.
- 5.4 You must ensure that you have the necessary delegation before incurring or authorising any expenditure on behalf of the Tribunal.
- 5.5 When you leave employment with the Tribunal, you must return all documentation and any equipment provided to or obtained by you as part of your employment, in accordance with the Tribunal's separation policy.

#### 6. CONFLICTS OF INTEREST

- 6.1 Conflicts of interest can arise between a staff member's private undertakings or interests and their official duties. Such conflicts could cast doubts over the impartiality of the Tribunal and seriously damage its reputation.
- 6.2 There are many possible circumstances where a conflict, or potential conflict, of interest could arise. For example:
  - (a) you could trade in companies for which the Tribunal may be reasonably perceived as having information not generally available to the public and where that information would be considered by a reasonable person to be materially price sensitive;

## APPENDIX 4

# STAFFING AND CONSULTANTS

continued...

- (b) you, or a member of your immediate family, might have a financial or other private interest, which could influence, or appear to influence you in the performance of your duties;
  - (c) you may organise the purchase of equipment or stores for the Tribunal and find that a close friend or relative is one of the potential suppliers;
  - (d) you may choose a group of consultants to carry out some work in the Tribunal and have an interest in one of the groups to be considered;
  - (e) you may sit on a selection panel and discover that one of the applicants for the position is a close personal friend or relative.
- 6.3 You must advise your Director as soon as you become aware that a conflict or potential conflict between your private interests and official duties has arisen or is likely to arise.
- 6.4 Where your Director has determined that you have a conflict or potential conflict your Director will refer the matter to the Chairman.
- 6.5 Where your Director has referred a conflict or potential conflict to the Chairman, the Chairman will decide whether:
- (a) you should be allowed to continue your duties in the area, where, for example, the potential for conflict is minimal and can be eliminated by disclosure;
  - (b) you should be requested to divest yourself of the interest; or
  - (c) a rearrangement of duties amongst staff, or a transfer to an equivalent position with duties involving no such actual or potential conflict should be organised.
- 6.6 You must comply with any decision made under clause 6.5.

### 7. POLITICAL PARTICIPATION

- 7.1 You must make sure that any participation in party political activities does not conflict with your primary duty as a public employee to serve the government of the day in a politically neutral manner.
- 7.2 This is important because of the need to maintain Ministerial and public confidence in the impartiality of the actions taken and advice given by public employees. What is considered appropriate by a department head in any particular case will depend on the nature of the issue, the position held by the employee, the extent of the employee's participation, and their public prominence.
- 7.3 If you become aware that a potential conflict of interest has arisen or might arise, you should inform your Manager or Director immediately and may have to stop the political activity or withdraw from the areas of your work where the conflict is occurring.
- 7.4 Within the context of the requirements of this code, employees are free to fully participate in voluntary community organisations and charities and in professional associations.

### 8. RESTRICTED COMPANIES

- 8.1 From time to time the Tribunal will notify staff that certain companies are "restricted companies".
- 8.2 You must not purchase or sell securities, shares, debentures, futures, units, commodities or other interests in these companies.
- 8.3 If you have control over the trading activities of a spouse, partner, or family member you should ensure that these trading activities are completed in accordance with the Tribunal's policy.
- 8.4 If you are unsure about whether a certain company is restricted, discuss this with your Director or Manager.

### 9. ANNUAL STATEMENT

- 9.1 You are required to sign a statement at the end of each financial year confirming that you have not engaged in any trading activities with respect to a restricted company, or otherwise engaged in conduct, which is likely to be perceived as a conflict of interest. The format of this statement will be determined by the executive of the Tribunal and circulated to you prior to the end of each financial year.

### 10. GIFTS AND OTHER BENEFITS

- 10.1 The Tribunal's position could be seriously compromised if any person or organisation was to secure, or appear to secure, the influence or favour of any of its staff.
- 10.2 For this reason, you should not solicit or accept any gift or benefit where such gift or benefit or the expectation of receiving such gift or benefit might unduly influence, or be perceived as unduly influencing you to perform your duties in a manner contrary to the interests of the Tribunal and the qualities set out in clause 1.3 ("inappropriate gift or benefit").
- 10.3 If you or your family are offered or have received an inappropriate gift or

benefit of a substantial nature, you must report the details to your Director as soon as possible.

- 10.4 You may accept a gift or benefit if it is of a token kind only ("token gift or benefit"). Examples of token gifts or benefits include chocolates, diaries, modest refreshments, meals offered at a seminar or to a working party etc. Any token gift or benefit must be advised to the Director.
- 10.5 Examples of inappropriate gifts or benefits can include money, free travel, substantial hospitality, accommodation or entertainment.
- 10.6 If you are in any doubt as to what constitutes a token or inappropriate gift or benefit, check with your Director.

### 11. FAIR AND EQUITABLE DECISIONS

- 11.1 The Tribunal is committed to promoting principles of fairness and equity in the provision of its services.
- 11.2 You should ensure your decisions and actions are fair and unbiased by:
- (a) dealing with all matters promptly and dealing with similar cases consistently in a similar manner; and
  - (b) avoiding making any assumptions or taking any irrelevant information or opinions into consideration.
- 11.3 You have a responsibility to be courteous and non-discriminatory in your treatment of colleagues, officers from other government agencies, other organisations whether public or private and the public.
- 11.4 In accordance with the Tribunal's Anti-Discrimination Policy, you must not discriminate against or harass other staff.
- 11.5 You should be familiar with and implement the Tribunal's Equal Employment Opportunity Policy and principles.

### 12. PUBLIC COMMENT

- 12.1 Unless authorised by the Chairman, you must not make any public comments on behalf of the Tribunal, or matters being considered by the Tribunal. Public comment includes public speaking engagements, comments on radio and television and views expressed in letters to newspapers or other publications.
- 12.2 You should ensure your personal views are not presented or interpreted as an official comment of the Tribunal.
- 12.3 You should refer all media enquiries to the Chairman.

### 13. DRESS REQUIREMENTS

- 13.1 To maintain the professional image of the Tribunal, you should ensure that you are of neat appearance and that you conform to a standard of dress generally accepted in the business community.
- 13.2 Appropriate grooming and dress is particularly important when representing the Tribunal in an official capacity. For example, when presenting a seminar or attending a conference or official function.

### 14. OUTSIDE EMPLOYMENT

- 14.1 If you wish to undertake any form of paid work additional to your duties in the Tribunal you must lodge a request through your Director for the Chairman's consideration.
- 14.2 You should give your Tribunal duties priority over any outside work you may consider accepting or engaging in.
- 14.3 These requirements also apply to staff members who, on joining the Tribunal already have outside employment that they may wish to continue.
- 14.4 You must not, while employed at the Tribunal, solicit business from existing stakeholders of the Tribunal or exploit business opportunities offered to you during your employment.

### 15. FAILURE TO COMPLY WITH REQUIREMENTS

- 15.1 Breaches of this Policy will be regarded seriously, particularly in the case of serious or repeated breaches.
- 15.2 If you fail to follow the requirements of the Policy, action which may be taken includes:
- (a) performance counselling;
  - (b) a delay of your salary increment (if performance related);
  - (c) a written record of the breach being placed on your personal file;
  - (d) dismissal or demotion or other disciplinary action;
  - (e) the laying of criminal charges or the taking of civil proceedings.
- 15.3 If you become aware of any breaches of this Policy, or if you have any queries or concerns about this Policy, you should discuss these with your Director.
- 15.4 The procedures, which apply where you fail to follow the requirements of this Policy, are set out in the Tribunal's Disciplinary/Underperformance Policy.



Senior Tribunal staff met with a number of international delegations to provide briefings on IPART's regulatory approach and share information. In 2001/2002 staff met with delegations from China, South Africa, Japan, Fiji, Korea and Ghana.

### Overseas visits

Name	Destination	Dates	Reason for Travel	Total Cost
Dr Thomas G Parry, Chairman	USA and the United Kingdom	24 Nov to 6 Dec 2001	To meet selected regulators and heads of industry in the United States and the United Kingdom on the issue of demand management and the provision of electricity network services.	Aus \$14,898
Dr Thomas G Parry, Chairman	United Kingdom	4 to 12 May 2002	Attend the World Bank Workshop Certification Program for Regulatory Professionals, in Oxford. Conduct a recruitment interview and meet with UK regulatory Director.	The World Bank paid all costs associated with attendance at the Workshop  IPART cost Aus\$1,451

### External presentations

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

#### Dr Thomas G Parry, Chairman

*Third Part Access and the Trade Practices Act*, Trade Practices Workshop, Law Society, Canberra, 18 August 2001

*Regulator's perspective (Pipeline Code review)*, AGA Conference 'Natural Gas Convergence, Contestability and Market Opportunities' Sydney, 16 November 2001

*Regulation, Renewable Energy and the Environment*, Total Environment Centre, Sydney, 30 May 2002

### Asset management plan

There were no changes to IPART's asset management plan and associated documentation for asset maintenance and disposal.

### Complaints

IPART occasionally receives complaints about its determinations and public procedures. These complaints are acknowledged and, where appropriate, registered as submissions to the relevant investigation.

It also sometimes receives representations concerning the pricing practices or activities of the utilities it regulates. When appropriate, these representations are referred to the relevant agency and to the Electricity and Water Ombudsman.

### Complaints about competitive neutrality

No complaints about competitive neutrality were referred to IPART during 2001/02. However, in November 2000, the Independent Pricing and Tribunal Act was amended to require IPART to provide a statistical summary of the complaints about the application of competitive neutrality principles referred to it for investigation. IPART has revised its internal complaints handling mechanism in response to this amendment.

## APPENDIX 5

### EXTERNAL LIAISON

continued...

#### Funds granted to non-government community organisations

No funds were granted to non-Government community organisations.

#### Privacy plan

Like all government agencies, IPART is required to prepare and implement a privacy plan. IPART has completed this plan and will submit it to the NSW Privacy Commissioner in 2002/03. Its main features include:

- ▼ Documented procedures for storage and access to data
- ▼ Documented processes for internal and external review
- ▼ Privacy statements for the website, the public register, the invitation for submissions document and various human resource forms.

Staff have been briefed on the strategies for compliance and their responsibilities under the plan.

There were no requests for internal reviews during 2001/02.

One complaint was received in relation to an address being divulged as part of a public submission. The information provided was unsolicited and the complaint was therefore considered invalid. However, immediate action was taken to remove details from the public access register.

#### Risk management and insurance

IPART has comprehensive coverage for workers' compensation, motor vehicle, property and public liability insurance, provided through the NSW Treasury Managed Fund. During 2001/02, it had two motor vehicle claims and one property claim with a net incurred loss of \$5,949.

IPART's exposure to property theft is limited due to the security access systems operating in its offices. These systems control access to IPART's work areas during the day and provide security outside office hours. IPART also introduced a visitor log system during 2001/02, to enable staff to identify authorised visitors, with benefits from both a security and OH&S perspective.

IPART conducted a review during 2001/02 to assess business risk significance of its operational areas. This review produced a list of auditable activities which will form the basis of future rolling internal audit programs.

IPART also completed the implementation of its comprehensive IT Security Policy this year, and will regularly review this policy as part of its IT strategic planning process.

In addition, IPART engaged a consultant to conduct a business impact workshop and prepare a Business Continuity Plan. This plan includes disaster recovery strategies and a number of schedules of key information and contacts. Copies of the plan are stored in a number of off-site locations and will be subject to annual review.

The internal audits were conducted by the Internal Audit Bureau and their findings are detailed in the following section.

#### Internal and external reviews

##### Internal audit reviews

IPART reviewed two areas in 2001/02, as part of the internal audit review program. These were:

- ▼ **Revenue and cost recovery.** The purpose of this review was to determine the adequacy of internal controls in relation to time recording, full recovery of costs, proper application of charges and accounting for revenue. The review found that costs appear to be recovered accurately and appropriately. It identified some improvement opportunities in relation to monitoring costs and the way staff time charges are devised. IPART is currently assessing these opportunities and will incorporate them into future projects where applicable.
- ▼ **Capital expenditure in relation to refurbishment projects.** The purpose of this review was to ensure that capital expenditure on expanded office accommodation was well managed. The review found that the work was closely monitored and appropriate approvals and authorisations were obtained, but that any future capital works projects would benefit from the creation of a central control document. This document would provide a system for quick and accurate budget monitoring. IPART has agreed to adopt this model.

### Records management

Records management practices were also reviewed during 2001/02. This review was a refinement of work carried out in 1997 following the introduction of the TRIM records management system. Its main objective was to revise the current system and practices to comply with legislative changes and meet additional organisational needs. This included improvements in relation to the TRIM software, and training for staff on their responsibilities under the State Records Act. The increasing use of information technology and in particular electronic mail, and methods to capture and track this type of correspondence was of particular relevance.

During March 2002 the Audit Office conducted an audit on the Tribunal's compliance to the State Records Act. The Audit Office identified only two aspects for attention and acknowledged that both of these were already scheduled as part of a post-implementation review.

### Report on account payment performance

AGED ANALYSIS AT THE END OF EACH QUARTER					
Quarter	Current (ie. within due date \$	Less than 30 days overdue \$	Between 30 days and 60 days overdue \$	Between 60 days and 90 days overdue \$	More than 90 days overdue \$
September Quarter	-	0	0	0	0
December Quarter	29,546	0	0	0	0
March Quarter	50,000	0	0	0	0
June Quarter	53,907	0	0	0	0

The amounts shown as 'current' at the end of each quarter represent the value of invoices on hand which are not yet due for payment.

ACCOUNTS PAID ON TIME WITHIN EACH QUARTER	Total Accounts Paid on Time			Total Amount Paid (\$)
	Target	Actual	\$	
September Quarter	90%	87%	623,394	685,164
December Quarter	90%	97%	1,294,919	1,332,259
March Quarter	90%	89%	1,159,430	1,446,636
June Quarter	90%	92%	2,145,935	2,365,187

During 2001/02 there were no instances where penalty interest was paid in accordance with section 18 of the Public Finance and Audit (General) Regulation 1995. There were also no significant events that affected payment performance.

To improve future performance, IPART will place greater emphasis on enhancing electronic processing of accounts, and increase its use of Purchase Orders for recurring purchases.

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.

## APPENDIX 5

### EXTERNAL LIAISON

continued...

#### Waste avoidance and resource recovery

Due to IPART's modest size and the nature of its work, the opportunities for it to avoid waste and recover resources are limited to office-based activities. These opportunities include:

- ▼ **Reducing the generation of waste paper.** IPART produces approximately 5000 copies of its reports each year. To reduce this number, it undertook a review which included updating its mailing lists and increasingly using and promoting its website to disseminate information. IPART recognises that printing costs vary only slightly when quantities are decreased, but is committed to keeping printing orders at realistic levels to minimise waste. It has also introduced multi-function machines to enable double-sided copying and printing with the aim of reducing paper usage within its offices.
- ▼ **Recovering resources.** IPART is reusing paper printed on one side for scribble pads and in personal laser printers for draft documents. It also ensures its empty toner cartridges are collected by outside organisations for recycling.
- ▼ **Using recycled material.** Most of the paper IPART uses to produce its reports is Green Wrap. This paper contains 50 per cent recycled pulp, 10 per cent waste products from the cotton industry and 40 per cent from sustainable managed plantations. For other paper products, such as note books and pads, IPART purchases recycled products wherever possible.

#### Energy management

EnergyAustralia reviewed IPART's current energy usage and identified opportunities to increase energy efficiency during 2001/02, as part of a program supported by the Ministry of Energy and Utilities. This review found that IPART has minimal opportunities to make energy savings, as the building in which its offices are located has already been upgraded to improve energy efficiency. However, IPART will continue to investigate energy saving features and incorporate them into future modifications to its office fit-out where possible.

#### Details of Annual Report production

Seven hundred and fifty copies of this report have been printed at an average cost of \$18.92 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.

**U**nder 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](http://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 2001/02**

IPART did not receive any requests for access to documents under the Freedom of Information Act.



**IPART**  
**NOTES**







# IPART

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

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## Erratum

The 2001/02 Annual Report of the Independent Pricing and Regulatory Tribunal of NSW reported that AGL's economy ("Everytime Plus") domestic tariff for gas increased by 54 per cent in real terms including GST, and 40 per cent excluding the effects of the new tax system, between 1994/95 and 2001/02 (Figure 7, page 18).

The reported increases are *nominal* increases, and not *real* increases. In addition, the tariff used for 2001/02 was incorrect. AGL's domestic ("Everytime Plus") tariff for gas increased by 24 per cent in real terms including GST, and 16 per cent excluding the effects of the new tax system.

Figure 7 – Index of real residential gas prices for AGL customers 1994/95 – 2001/02

