

Annual Report
2002/2003



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

IPART



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

21 October 2003

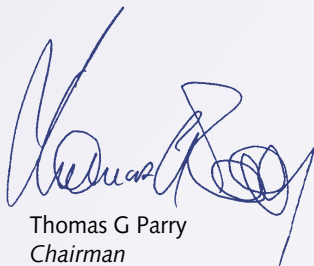
The Hon. Bob Carr MP
Premier of NSW
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Premier

INDEPENDENT PRICING AND REGULATORY TRIBUNAL
ANNUAL REPORT 2002/2003

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 2003.

Yours sincerely,

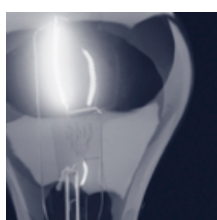


Thomas G Parry
Chairman



James Cox
Member

IPART ANNUAL REPORT 2002/2003



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THE CHAIRMAN'S REPORT

It might seem trite to say it, but the past year has been "another busy year". Indeed, since IPART, or more particularly its predecessor, the Government Pricing Tribunal, was established in 1992 there has been almost exponential growth in the range and complexity of the work undertaken.

In the last year, the Tribunal became the Scheme Administrator for the New South Wales Government's Greenhouse Gas Abatement Scheme, established in January 2003. It is a cutting-edge tradeable carbon credit scheme. The Tribunal's Greenhouse Gas team has implemented clear processes to respond to a complex set of rules for accreditation of abatement activity, and established a registry to support the scheme, in record time. Their work has been exemplary and amongst the very best that the public sector can achieve and deliver.

Acting as a Scheme Administrator continues to take the Tribunal beyond its core activities as an economic regulator of water, transport and energy. It builds on the work done by the Tribunal over the past few years in taking over the licence regulation functions in water and energy, supporting the role of the Minister for Energy and Utilities. Indeed, having regard to the special inquiries undertaken under Section 9 of our Act, more than half of the Tribunal's work goes well beyond the original functions of the Government Pricing Tribunal.

Nevertheless, the Tribunal's core regulatory functions remain as important as ever. In the last year, we completed a two year Determination for water prices for Sydney, Hunter and the Central Coast. The usual Annual Transport Determination was undertaken in the past year, and substantial work continued on the electricity network review, which will lead to a Determination for 5 years from mid 2004. The core work load in water, electricity and gas over the next two to three years will be substantial: with a revised access undertaking for AGL and Country Energy gas networks due early in 2004, a default retail electricity price review expected from late 2003, and, work on the end of term licence reviews for Sydney Water and Sydney Catchment from end 2003, leading to the next metropolitan water price Determinations from mid 2005.

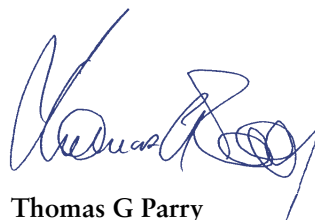
The precise role of the Tribunal as jurisdictional regulator in the energy area beyond the next two years or so is less clear. In past years I have used this Report to comment on the fragmentation of energy regulation across Australia and repeat the call for a national energy regulator. I do not resile from that view. However, it is far from obvious that all those involved in developing the model of national regulation have a clear understanding of what is involved.

Regulation by a single national regulator requires, as a necessary (though not sufficient) condition, harmony of all the regulatory obligations that are imposed on the regulated entities. This exists only in the case of electricity and gas **transmission** assets, where the relevant economic and technical obligations exist for all such assets, regardless of which jurisdictional boundaries are crossed. In the case of distribution networks and retail businesses, however, this is far from true. Each state and territory has their own set of licence and other arrangements which are far from uniform. Importantly, the policy positions of the states and territories with respect to key aspects of regulation of both distribution networks and retailers are significantly different, including the existence and operation of full retail competition, greenhouse gas obligations, demand management rules, market operations rules, regulated retail tariffs, metrology rules, contributed-asset arrangements, and contestable-works rules.

The regulation of distribution network revenues under the electricity and gas codes is relatively straight forward and, in fact, there is a remarkable degree of consistency between the jurisdictional regulators (who work quite closely via the Regulators' Forum). However, the way in which allowed revenues are then translated into network prices and flow to retail prices and the licence obligations on both networks and retailers is not consistent.

There is still much to be more clearly understood and done before national regulation of distribution and retail in both electricity and gas can be put in place.

Each year I thank my colleagues, both fellow Tribunal members as well as Secretariat. This year is no different, there are just more colleagues. We have grown from an organisation of 4 or 5 people in 1992 to one that will have 70 by the end of 2003. The outstanding quality and dedication of those who work in IPART as well as those many stakeholders who work with us continues to amaze me, and I thank them all.



Thomas G Parry
Chairman

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

Charter

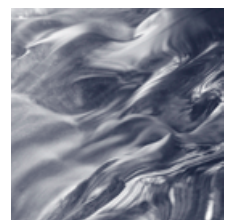
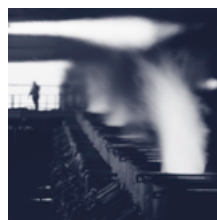
IPART now has seven core functions, which are conferred by legislation, codes and access regimes established by legislation.¹ These functions are to:

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

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.

IPART provides an integrated system of economic regulation and licence regulation in NSW that covers both pricing for water, electricity network and gas industries and standards of service for water, electricity and gas.



Purpose and objectives

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

- ▼ regulate monopoly utility prices
- ▼ promote competition (or simulate its effects) in regulated industries
- ▼ protect consumers by ensuring the quality and reliability of regulated services and by considering the social impacts of its decisions
- ▼ monitor the way utilities comply with their license 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.

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

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

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

2 The *Independent Pricing and Regulatory Tribunal Act 1992*.

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.

Service philosophy

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.



OUR PRINCIPAL ACHIEVEMENTS IN 2002/2003

Water Pricing

- ▼ Monitored compliance against current price determinations.
- ▼ Determined maximum metropolitan water prices for Sydney Water Corporation (SWC), Hunter Water Corporation (HWC), Gosford City Council and Wyong Shire Council to apply from July 2003.
- ▼ Completed mid-term review of Sydney Catchment Authority's (SCA) prices (current price path expires 30 June 2005).

Water Licensing

- ▼ Completed audits of the operating licences for Sydney Water Corporation, Sydney Catchment Authority and Hunter Water Corporation for 2001/02.
- ▼ Completed mid-term reviews of the operating licences of Sydney Water Corporation and the Sydney Catchment Authority.
- ▼ Completed review of Hunter Water Corporation's Customer Contract.

Transport

- ▼ Recommended NSW taxi fares, private bus and private ferry fares for 2002/03 to the Minister for Transport.
- ▼ Determined annual prices for CityRail and State Transit Authority for 2002/03.
- ▼ Monitored compliance against current price determinations.

Energy

- ▼ Reported to the Minister of Energy on the extent of compliance by electricity licence holders (both distribution and retail) for the 12 months to 30 June 2002.
- ▼ Engaged consultants to perform systems audits of standard retailers' compliance with Electricity Tariff Equalisation Fund.
- ▼ Compiled quarterly reports by all retailers active in the 'small retail market'.
- ▼ Approved revised distribution loss factors.
- ▼ Considered applications under the National Gas Code for approval of related party transactions.

- ▼ Reviewed retail gas prices for business and residential customers of ActewAGL in Nowra and agreed on voluntary pricing principles.
- ▼ Reviewed retail gas prices for business and residential customers of ActewAGL in Queanbeyan and Yarrowlunla and agreed on voluntary pricing principles.
- ▼ Reviewed retail gas prices for business and residential customers of Origin Energy in Albury and small Murray Valley towns and agreed on voluntary pricing principles.
- ▼ Prepared guidelines for "ring fencing" or separation of regulated network services from competitive services.
- ▼ Reviewed demand management/energy efficiency under Section 12A of the IPART Act. The final report was released in October 2002.
- ▼ Reviewed the energy licensing regime. Final report released January 2003.
- ▼ Issued a final report on the review of the NSW metrology procedures in January 2003.
- ▼ Conducted mid-term review of AGLRE's gas retail prices for residential and small customers. A report was released in June 2003.

Analysis and Policy Development

- ▼ Reviewed the role of demand management and other options in the provision of energy services for the Premier.
- ▼ Participated in the inter-departmental committee to develop policy, legislation and rules to implement the retailer greenhouse gas obligations.
- ▼ Reviewed and recommended a pricing policy for access to the fibre-optic cables owned by government businesses.
- ▼ Reviewed and recommended a pricing policy and fees in relation to services provided by the Central Corporate Services Unit (CCSU) to other government agencies.
- ▼ Reviewed and recommended charges for the services of the Office of the Protective Commissioner.
- ▼ Reviewed workers' compensation 2001 legislative amendments to determine whether the policy objectives of those amendments remain valid and whether the terms of the legislation remain

OUR PRINCIPAL ACHIEVEMENTS IN 2002/2003

CONTINUED...

appropriate for securing those objectives (special reference under Section 248A of the *Workplace Injury Management and Workers Compensation Act 1998*).

- ▼ Published cross-industry discussion paper on the cost of capital.
- ▼ Developed financial model of ActewAGL for ICRC and trained staff in the use of the model.
- ▼ Supported IPART's participation in the Regulators' Forum, including management of consultancy on Benchmark and Building Block Approaches to Regulation.

Greenhouse Gas Abatement Scheme Administrator

- ▼ Prepared implementation plan for the NSW greenhouse gas reduction scheme for licensed electricity retailers.
- ▼ Established the website for the Greenhouse Gas Abatement Scheme.
- ▼ Published the deemed pool-coefficient, electricity demand and population levels for 2003.
- ▼ Conducted workshops for scheme participants.
- ▼ Prepared application forms for large electricity customers to elect to manage own greenhouse benchmark.
- ▼ Finalised audit framework and process maps for accreditations as certificate providers.
- ▼ Conducted competitive tender to appoint a contractor to design, build and operate an on-line registry of abatement certificates and abatement certificate providers.
- ▼ Prepared draft application forms and guides to support trial accreditations of potential abatement certificate providers under each of four Greenhouse Gas Benchmark Rules.



PERFORMANCE AGAINST CORPORATE OBJECTIVES

Throughout this financial year, IPART particularly focussed on meeting five 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
5. To administer the Greenhouse Gas Abatement Scheme.

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

1. Reach a reasonable, balanced answer

Strategy	Action	Progress to 30 June 2003
Continue to monitor developments in other jurisdictions	<ul style="list-style-type: none"> ▼ Participate in Australian Regulators Forum ▼ Collaborate with other regulators in research activity, including developing joint research programs ▼ Host seminars/conferences 	<ul style="list-style-type: none"> ▼ Senior staff participated in the Australian Regulators Forum and Utility Regulators Forum. ▼ IPART subscribes to public releases on local and overseas regulatory developments (eg from Australian Water Association, UK Office of Water and American Water Works Association). ▼ IPART met with Australian regulators in relation to water and public transport industries to discuss common issues. ▼ Staff contributed to inter-jurisdictional Working Groups on the National Electricity Code and Retail Electricity. ▼ Hosted a major conference called Incentive Regulation at the Crossroads in July 2002.
Continue to monitor and report on impacts of its decisions to ensure they have no unintended consequences		<ul style="list-style-type: none"> ▼ IPART conducted the annual compliance assessment of electricity network and retail tariffs ▼ The relevant industry teams conducted annual compliance assessment of prices charged by water and transport agencies ▼ The Transport team reviewed and published household income profile of transport users by transport mode and ticket type ▼ The water team examined and published the impact of changes to price levels and price structures on metropolitan water bills.

PERFORMANCE AGAINST CORPORATE OBJECTIVES

CONTINUED...

Strategy	Action	Progress to 30 June 2003
Continue to research and adopt improved regulatory techniques and approaches	<ul style="list-style-type: none"> ▼ Interpret statutory requirements and ensure compliance ▼ Establish and apply criteria for assessing form of regulation ▼ Establish in-house knowledge and peer review ▼ Establish best practice and transparent processes 	<ul style="list-style-type: none"> ▼ All IPART's determinations and licence investigations were subject to legal review (eg metropolitan water price determinations, Hunter Water Customer Contract). ▼ IPART released issues papers for each of its major investigations (eg metropolitan water pricing, private buses, private ferries and taxis). ▼ IPART engaged external industry specialists to supplement internal resources in the audit of operating licences (eg SWC, SCA & HWC), the review and analysis of the regulatory approach (eg private bus cost index, taxi fare structure), incentive regulation, demand forecasts and expenditure proposals of regulated agencies (eg metropolitan water). ▼ IPART prepared issues papers on a range of forms of regulation, including Incentives for Service Quality in Electricity Distribution and Gas Authorisation and Electricity Licence Fees. ▼ 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. ▼ IPART held regular discussions with key stakeholders on key issues. The Energy team established three consultation forums for the Pricing Industry, Miscellaneous Charges and Monopoly Fees.
Provide more reasoned explanations of decisions	<ul style="list-style-type: none"> ▼ Establish best practice report writing 	<ul style="list-style-type: none"> ▼ 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.

2. Demonstrate a fair and open process

Strategy	Action	Progress to 30 June 2003
Hold regular meetings with key stakeholders	<ul style="list-style-type: none"> ▼ Establish and implement program for meeting with key stakeholder group 	<ul style="list-style-type: none"> ▼ There were regular meetings with the Energy Industry Consultation Group, and other key stakeholders and government agencies.

PERFORMANCE AGAINST CORPORATE OBJECTIVES

CONTINUED...

<p>Encourage and facilitate stakeholder involvement</p>	<ul style="list-style-type: none"> ▼ Adopt technology and processes to make participation in investigations easier ▼ Publish timetables for reviews and release discussion papers and draft determinations ▼ Continue to hold public seminars and hearings ▼ Articulate the information IPART requires from businesses and agencies it regulates 	<ul style="list-style-type: none"> ▼ 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 continues to redesign the site to allow easier navigation, provide a search capability and increase interactivity. ▼ IPART published and updated timetables for all the reviews it undertook this year, on its website, and in issues papers. ▼ IPART held a number of public seminars and hearings (see Appendix 2 for more detail). ▼ Workshops were held for the private bus, private ferry and taxi investigations, Standards of Service, Guaranteed Service Levels and the AGL Retail Mid-term Review. ▼ As part of the 2004 Electricity Review, IPART conducted a public forum on non Distribution Network Service Providers. ▼ Public hearings were held for the metropolitan water price investigation and determination of CityRail and State Transit fares. ▼ A presentation was made on the outcomes of the operating licence audit to the Hunter Water Consultative Forum. ▼ Key stakeholder groups were briefed on Tribunal determinations and recommendations. ▼ IPART published its annual Regulatory Information request, and the Price and Service Regulatory Accounts.
<p>Explain IPART's decision making processes and its rationale for decisions</p>	<ul style="list-style-type: none"> ▼ Explain decision-making processes through issues papers and reports 	<ul style="list-style-type: none"> ▼ Publicly released reports were edited to improve presentation and clarity. ▼ Reports were subject to legal review to ensure compliance with legal requirements to explain decisions and decision making. ▼ IPART has continued to use its publications to explain its processes and the basis of its decisions.
<p>Seek feedback on stakeholder perceptions of IPART's integrity, processes, and quality of work</p>	<ul style="list-style-type: none"> ▼ Survey stakeholder perceptions every two years 	<ul style="list-style-type: none"> ▼ IPART surveyed stakeholders in 2000/01 and will repeat this survey in 2003/04.

PERFORMANCE AGAINST CORPORATE OBJECTIVES

CONTINUED...

3. Apply a rigorous and credible process

Strategy	Action	Progress to 30 June 2003
Recruit additional senior staff		<ul style="list-style-type: none"> ▼ Recruitment of staff increased numbers from 60 to 70 in the financial year.
Continually improve internal analytical tools and processes	<ul style="list-style-type: none"> ▼ Implement information management strategy ▼ Establish library/information supply service 	<ul style="list-style-type: none"> ▼ Developed a records management strategic plan and identified priority projects to be undertaken during 2003/04. The role of TRIM in IPART's records management processes continues to be critical with strong links to the Business Continuity Plan and future integration with the new website currently under development. ▼ This year IPART subscribed to new on-line databases to improve its research resources.
Make better use of internal and external legal advice		<ul style="list-style-type: none"> ▼ 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.
Make better use of consultants	<ul style="list-style-type: none"> ▼ Establish criteria for using consultants 	<ul style="list-style-type: none"> ▼ A separate panel contract for audit and technical advice services was established for the Greenhouse Gas Abatement Scheme.
Apply high standards of ethical and professional work standards	<ul style="list-style-type: none"> ▼ Ensure protection of confidential data consistent with statutory requirements 	<ul style="list-style-type: none"> ▼ A new knowledge management structure ensures that information is accessible on the basis of team membership. ▼ Separate caveats were applied to all files created for the implementation of the Greenhouse Gas Abatement Scheme.

4. Manage resources efficiently and effectively

Strategy	Action	Progress to 30 June 2003
Review profile of workforce to match skill set with organisational needs	<ul style="list-style-type: none"> ▼ Undertake skill set audit and associated training needs analysis 	<ul style="list-style-type: none"> ▼ Position descriptions were reviewed to reflect the capability “maps” 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.
Become preferred employer by offering development opportunities and family friendly work practices	<ul style="list-style-type: none"> ▼ Encourage healthy lifestyle at work ▼ Leverage external resources for supplementary specialist skills (eg engineering) and manage peaks in workload ▼ Reward staff with accelerated increments for outstanding performance ▼ Support flexible working conditions 	<ul style="list-style-type: none"> ▼ The success of voluntary health assessments was followed by a monthly corporate health management newsletter produced by a leading health provider to maintain awareness. ▼ The panel contract provides breadth of coverage for the range of additional skills required. ▼ One element of the performance reviews is the provision for accelerated progression as recognition for outstanding performance. ▼ Flexible working hours as well as part time work opportunities provide added incentives to existing and potential staff members. This enables individuals to better balance their work and life obligations resulting in a friendly and productive work environment.
Provide systematic training and other skill building opportunities for staff	<ul style="list-style-type: none"> ▼ Provide training that meets individual and organisational needs 	<ul style="list-style-type: none"> ▼ Training needs identified through the internal performance management system are followed up with appropriate development in the form of in-house or external training. ▼ In 2002, IPART sponsored a female executive officer to attend the London Business School’s ‘Essentials of Leadership’ program. This intensive programme gave insight into personal capabilities and leadership styles and explored frameworks and tools to drive change. ▼ A collaborative training course on Financial and Policy Issues in Utility Regulation was initiated and successfully co-ordinated by IPART. The two day programme provided regulatory analysts with broader finance and policy viewpoints and brought together analysts from different regulatory agencies.

PERFORMANCE AGAINST CORPORATE OBJECTIVES

CONTINUED...

<p>Work with other public sector agencies to achieve economies of scale</p>	<ul style="list-style-type: none"> ▼ Streamline internal personnel practices 	<ul style="list-style-type: none"> ▼ The online access to individual personnel data resulted in streamlining the time consuming processes such as leave applications and distribution of payslips. Time formerly spent on manual processing is utilised in providing increased service delivery.
<p>Continuously improve systems and services</p>	<ul style="list-style-type: none"> ▼ Develop personnel policies and procedures ▼ To ensure a high standard of IT security is provided, with ongoing monitoring and enhancements as required ▼ To ensure the Business Continuity Plan meets business needs ▼ To ensure software and hardware are in line with current business needs 	<ul style="list-style-type: none"> ▼ Revised policies for Anti-Discrimination and Equal Employment Opportunities, Harrassment Free Workplace and Grievance Resolution were endorsed by the Joint Consultative Committee. ▼ IPART was one of the first Government agencies to obtain AS7799 security certification. The certification was obtained in December 2002, and will be subject to security audits every 6 months. ▼ IPART updates its Business Continuity Plans (BCP) on a yearly basis to ensure it adequately addresses any changes to business needs. This year it also conducted a live test run of its BCP. ▼ IPART upgraded its desktops to XP Windows and XP Office in January 2003.
<p>Embrace Government commitment to electronic service delivery</p>	<ul style="list-style-type: none"> ▼ To develop a new website with increased functionality ▼ To develop a separate website for the Greenhouse Gas Abatement Scheme 	<ul style="list-style-type: none"> ▼ IPART senior management endorsed a new design in December 2002. The functional specifications for the site are being tested and the new website is expected to be completed by the end of 2003. ▼ A separate website was developed solely for the Greenhouse Gas Abatement Scheme.
<p>Make effective use of equipment and systems</p>	<ul style="list-style-type: none"> ▼ Develop asset management plan ▼ Implement improved IT & office security (including disaster recovery plan) ▼ Ensure all systems can cope with additional growth 	<ul style="list-style-type: none"> ▼ IPART reviews its asset plan yearly. Significant revision was prompted by the growth in IPART and its asset base. ▼ 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. ▼ A new software program was developed to simplify recording and monitoring hours worked by staff. ▼ IPART upgraded its internet connection to ensure adequate bandwidth for research and email communication.

5. Administer the Greenhouse Gas Abatement Scheme

Strategy	Action	Progress to 30 June 2003
Implement the Greenhouse Gas Abatement Scheme	<ul style="list-style-type: none"> ▼ Prepare guidelines and information for participants 	<ul style="list-style-type: none"> ▼ Prepared an implementation plan for the NSW greenhouse gas reduction scheme for licensed electricity retailers. ▼ Established the website for the Greenhouse Gas Abatement Scheme. ▼ Published the deemed pool-coefficient, electricity demand and population levels for 2003. ▼ Conducted workshops for scheme participants.
Establish a registry of abatement certificates	<ul style="list-style-type: none"> ▼ Tender for the development and operation of an on-line Registry 	<ul style="list-style-type: none"> ▼ Conducted a competitive tender and appointed a contractor to design, build and operate the on-line registry of abatement certificates and abatement certificate providers.
Accredit abatement certificate providers	<ul style="list-style-type: none"> ▼ Commence trials of the process for accreditation ▼ Verify the accuracy of abatement certificates and reports to be traded 	<ul style="list-style-type: none"> ▼ Finalised audit framework and process maps for accreditation as certificate providers. ▼ Prepared application forms for large electricity customers to elect to manage own greenhouse benchmark. ▼ Prepared draft application forms and guides to support trial accreditations of potential abatement certificate providers under each of four Greenhouse Gas Benchmark Rules. ▼ Invited nominations to trial the accreditation process.

Achievement of Objectives

The only economic or other factor affecting the achievement of IPART's operational objectives relates to the implementation of the Greenhouse Gas Abatement Scheme, the new government framework under which retailers are required to meet mandatory greenhouse gas abatement targets, as part of their retail licence conditions.

The Scheme was established by legislation passed in late December 2002 to commence from 1 January 2003. Consequently, the legislation contained transitional provisions, which facilitated a staged implementation during 2003 of the administrative systems supporting the scheme. The legislation did not provide a fixed implementation timetable.

Budget supplementation was requested and approved, and substantial progress was made in compliance with IPART's project implementation plan. The initial project plan focussed on helping IPART and potential participants to understand the scheme and prepare for its implementation. It established fixed milestones from December 2002 to April 2003, but more flexible dates for completing the implementation. This flexibility was designed to allow IPART to prepare a more detailed project plan after feedback from participants at the public workshops, and after finalising its auditing framework. IPART successfully met all milestones during this period.

KEY PERFORMANCE INDICATORS

	2000 /01 Base	2001 /02	2002/03 Projection* /Actual	2003 /04*	2004 /05*
Outcome and Output targets					
Regulation—Outcomes:					
Survey of stakeholder perceptions of integrity, process and quality of work (every 2 years)	1	n/a	n/a	1	n/a
Regulation—Outputs:					
Number of price determinations and industry reports completed	11	23	24/33	17	13
Number of price determination and industry reports in progress	9	9	5/8	1	1
Number of licence audits completed	2	5	12/11	5	13
Number of licence compliance reports to Minister	1	1	1/3	5	1
Number of licences granted, amended and cancelled	4	34	20/19	43	5
Rules and guidelines completed	5	6	2/2	2	2
Rules and guidelines in progress	2	2	–	–	–
Applications for Associate Contracts considered under S7.1 of National Gas Code	1	2	-/1	4	–
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	Networks 60/27 days Retail 30/13 days		
Financial Administration:					
Controlled net cost of service within budget	Yes	Yes	Yes		
Regulation expenditure per capita (NSW)	<\$2	<\$2/\$1.42	<\$2/\$1.60	<\$2	<\$2
Compliance with <i>Public Finance & Audit Act 1983</i>	100%	100%	100%	100%	100%

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

KEY PERFORMANCE INDICATORS

CONTINUED...

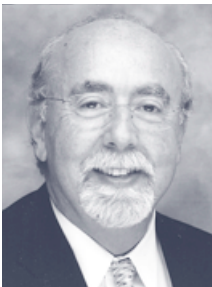
	Target	2000/01	2002/03
Performance Measure			
Staff			
Average sick leave days taken	<5	2.45	2.65
Personnel Enhancement System coverage	100%	100%	100%
Training follows skills audit	100%	100%	100%
Employee satisfaction index – Leadership	>90%		81%
(staff survey) – Remuneration	>90%	No survey data	91%
– Working conditions	>90%		92%
– Support services	>90%		78%
IT			
System availability	>98%	99.52%	99.86%
System security breaches	Nil	Nil detected	Nil detected
Internal service quality rating (staff survey)	>95%	No survey data	70%
Office Services			
Accounts paid on time	90%	91.25%	93.5%

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), MEc, 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. Re-appointed 1 February 2003 to 30 June 2004. 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.

The Temporary member was not required to assist the Tribunal in the 2002/03 year.

Meeting frequency and attendance

Throughout the year, the Tribunal held 51 meetings, and hosted 4 public hearings, 2 public forums and 3 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.

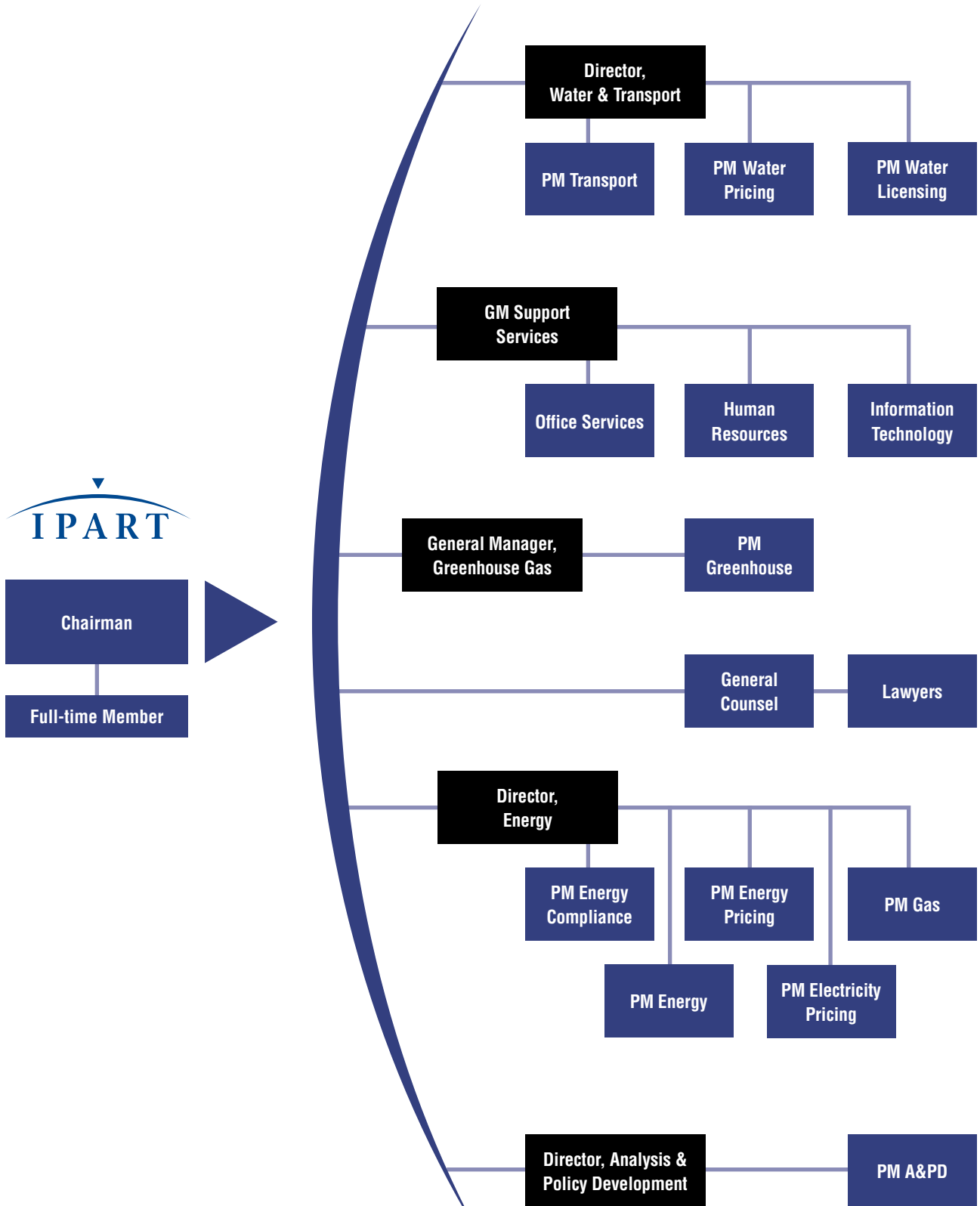


Internal committees

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

AS AT AUGUST 2003



PM = Program Manager



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT INDEPENDENT PRICING AND REGULATORY TRIBUNAL

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Independent Pricing and Regulatory Tribunal:

- (a) presents fairly the Independent Pricing and Regulatory Tribunal's financial position as at 30 June 2003 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with sections 41 B and 41 BA of the *Public Finance and Audit Act 1983* (the Act).

The opinion should be read in conjunction with the rest of this report.

The Tribunal's Role

The financial report is the responsibility of the members of the Tribunal. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the program statement - expenses and revenues, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the members of the Tribunal in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the members of the Tribunal had failed in their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Independent Pricing and Regulatory Tribunal,
- that the Independent Pricing and Regulatory Tribunal carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

A. Oyetunji CPA
Assistance Director of Audit

SYDNEY
20 October 2003

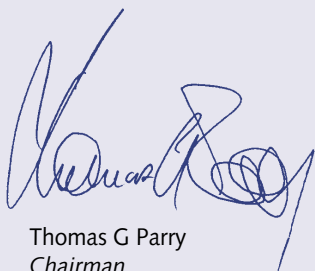


INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES

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 Dependent 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 of New South Wales as at 30 June 2003 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.



Thomas G Parry
Chairman



James Cox
Member

20 October 2003

Level 2, 44 Market Street Sydney NSW 2000. All correspondence to: PO Box Q290, QVB Post Office NSW 1230

Tel: (02) 9290 8400 Fax: (02) 9290 2061 Email: ipart@ipart.nsw.gov.au

ABN: 49 202 260 878

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED JUNE 2003

	Notes	Actual 2003	Budget 2003	Actual 2002
		\$'000	\$'000	\$'000
Expenses				
Operating expenses:				
Employee related	2(a)	5,938	6,205	5,252
Other operating expenses	2(b)	5,223	6,286	4,315
Maintenance		58	23	38
Depreciation and amortisation	2(c)	189	143	153
Total Expenses		11,408	12,657	9,758
Less:				
Retained Revenue				
Sale of goods and services	3(a)	819	0	823
Investment income	3(b)	134	50	61
Grants and contributions	3(c)	3	95	8
Other revenue	3(d)	148	0	32
Total Retained Revenue		1,104	145	924
Gain / (loss) on disposal of non-current assets	4	(16)	0	(11)
Net Cost of Services	19	10,320	12,512	8,845
Government Contributions				
Recurrent appropriation	5	10,415	11,721	9,005
Capital appropriation	5	304	194	344
Acceptance by the Crown Entity of employee benefits and other liabilities	6	644	247	387
Total Government Contributions		11,363	12,162	9,736
SURPLUS / (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES		1,043	(350)	891
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		0	0	0
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	15	1,043	(350)	891

The accompanying notes form part of these statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2003

	Notes	Actual 2003 \$'000	Budget 2003 \$'000	Actual 2002 \$'000
ASSETS				
Current Assets				
Cash	8	3,333	1,603	1,605
Receivables	9	920	555	563
Other	10	34	92	92
Total Current Assets		4,287	2,250	2,260
Non Current Assets				
Property, Plant and Equipment				
- Plant and Equipment		979	718	665
Total Property, Plant and Equipment		979	718	665
Total Non-Current Assets		979	718	665
Total Assets		5,266	2,968	2,925
LIABILITIES				
Current Liabilities				
Payables	12	519	419	419
Provisions	13	650	626	626
Other	14	1,602	502	502
Total Current Liabilities		2,771	1,547	1,547
Non-Current Liabilities				
Provisions	13	89	0	0
Other	14	25	40	40
Total Non-Current Liabilities		114	40	40
Total Liabilities		2,885	1,587	1,587
Net Assets		2,381	1,381	1,338
EQUITY				
Accumulated Funds	15	2,381	1,381	1,338
Total Equity		2,381	1,381	1,338

The accompanying notes form part of these statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Actual 2003	Budget 2003	Actual 2002
		\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(5,393)	(5,814)	(4,934)
Other		(5,918)	(6,637)	(4,749)
Total Payments		(11,311)	(12,451)	(9,683)
Receipts				
Sale of goods and services		548		656
Interest received		90	58	54
Other		750	423	556
Total Receipts		1,388	481	1,266
Cash Flows from Government				
Recurrent appropriation		12,001	11,721	9,383
Capital appropriation		304	196	344
Cash reimbursements from the Crown Entity		243	247	173
Cash transfers to the Consolidated Fund		(378)		(72)
Net Cash Flow From Government		12,170	12,164	9,828
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	2,247	194	1,411
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from sale of Plant and Equipment		4	0	1
Purchases of Plant and Equipment		(523)	(196)	(447)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(519)	(196)	(446)
NET INCREASE / (DECREASE) IN CASH		1,728	(2)	965
Opening cash and cash equivalents		1,605	1,605	640
CLOSING CASH AND CASH EQUIVALENTS	8	3,333	1,603	1,605

The accompanying notes form part of these statements

SUPPLEMENTARY FINANCIAL STATEMENTS

PROGRAM STATEMENT - EXPENSES AND REVENUES

FOR THE YEAR ENDED 30 JUNE 2003

	Program 1	
	2003 \$'000	2002 \$'000
EXPENSES & REVENUES		
Expenses		
Operating Expenses:		
Employee Related	5,938	5,252
Other Operating Expenses	5,223	4,315
Maintenance	58	38
Depreciation	189	153
Total Expenses	11,408	9,758
Retained Revenue:		
Sale of Goods and Services	819	823
Investment Income	134	61
Grants and Contributions	3	8
Other Revenue	148	32
Total Retained Revenue	1,104	924
Gain / (loss) on disposal of Non-current assets	(16)	(11)
NET COST OF SERVICES	10,320	8,845
Government Contributions	11,363	9,736
NET EXPENDITURE / (REVENUE) FOR THE YEAR	(1,043)	(891)
ADMINISTERED REVENUES		
Consolidated Fund		
-Electricity Retail Supplier Licences	752	368
-Electricity Retail Distributor Licences	225	0
-Gas Supplier Authorisations	1,425	1,808
-Gas Reticular Authorisations	1,722	1,965
-Gas Distributor Licences	1	3
-Application Fees	6	3
Total Administrated Revenues	4,131	4,147

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

SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

FOR THE YEAR ENDED 30 JUNE 2003

	2003				2002			
	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Original Budget Appropriation/Expenditure								
- Appropriation Act	11,721	9,103	196	196	9,183	8,805	344	344
	11,721	9,103	196	196	9,183	8,805	344	344
Other Appropriation/ Expenditure								
- Treasurer's Advance	2,291	1,312	108	108	691	200	0	0
	2,291	1,312	108	108	691	200	0	0
Total Appropriations/ Expenditure (includes transfer payments)	14,012	10,415	304	304	9,874	9,005	344	344
Amount drawn down against Appropriation		12,001		304		9,383		344
Liability to Consolidated Fund		1,586		0		378		0

Notes to Summary of Compliance with Financial Directives

- (a) The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).
- (b) The Liability to Consolidated Fund represents the difference between the "Amount drawn down against Appropriations" and the "Total Expenditure / Net claim on Consolidated Fund"
- (c) The net claim on Consolidated Fund is less than the original appropriation due to less than budgeted expenditure on Full Retail Competition and Greenhouse Gas Abatement Scheme.

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

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 Accounts.

(b) Basis of Accounting

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

- ▼ applicable Australian Accounting Standards,
- ▼ other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- ▼ Urgent Issues Group (UIG) Consensus Views;
- ▼ the requirements of the *Public Finance and Audit Act 1983* and Regulations, and
- ▼ the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

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

Except for Plant and Equipment which is recorded at valuation, the financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(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 'Current liabilities - Other'. 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.

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

(iii) Investment Income

Interest revenue is recognised as it accrues.

(e) Employee Benefits and other provisions

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

Liabilities for salaries and wages (including non-monetary benefits), annual leave and vesting sick leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

This is in accordance with AASB 1028 applicable for this financial year. The previous Standard required the nominal basis to use remuneration rates current as at the reporting 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 benefits accrued in the future.

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

(ii) Accrued salaries and wages reclassification

As a result of the adoption of Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", accrued salaries and wages and on-costs has been reclassified to "payables" instead of "provisions" in the Statement of Financial Position and the related note disclosures, for the current and comparative period. On the face of the Statement of Financial Position and in the notes, reference is now made to "provisions" in place of "employee entitlements and other provisions". Total employee benefits (including accrued salaries and wages) are reconciled in Note 13 "Provisions".

(iii) Long Service Leave and Superannuation

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

Long service leave is measured on a present value basis. The liabilities that are expected to be settled

more than twelve months after the reporting date is measured as the present value of the estimated future cash outflows to be made by employers in respect of services provided by employees up to the reporting date. The present value method is based on the remuneration rates on what the entity expects to pay at each reporting date for all employees with five or more years of service. This means that where it is expected that employees will receive a pay rise after reporting date, the increased pay rate is used in determining the employee benefit liabilities.

The simple factors derived by the Government Actuary to increase the long service leave liability and related on-costs to approximate present value calculations have been used in determining the liabilities.

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 (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(f) Insurance

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

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

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

- ▼ 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.

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

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. However, grouped assets with inter-related functions such as the computer network are capitalised regardless of cost.

(j) Revaluation of Physical Non-Current Assets

Physical non-current assets are valued in accordance with the 'Guidelines for the valuation of Physical Non-current Assets at Fair Value' (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002.

For all plant and equipment, the Tribunal uses depreciated historical cost as a surrogate for fair value. These assets have short useful lives. This policy is consistent with TPP 03-02.

The Tribunal is a not for profit entity with no cash generating units.

(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 asset as it is consumed over its useful life to the entity.

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.

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 uncollectible 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

Other assets including 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 STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

2 EXPENSES

(a) Employee Related Expenses

	2003	2002
	\$'000	\$'000
Salaries and wages (including recreation leave)	4,956	4,549
Superannuation	357	259
Payroll tax on superannuation	21	16
Long service leave	266	112
Workers compensation insurance	49	22
Payroll and fringe benefits tax	289	294
	<u>5,938</u>	<u>5,252</u>

Employee related expenses includes \$52,822 (2001-02 \$62426) in payments to temporary members of the Tribunal.

There was no employee related expense included in maintenance expense and/or capitalised.

(b) Other Operating Expenses

	2003	2002
	\$'000	\$'000
Auditor's remuneration (audit of the financial reports)	24	23
Operating lease rental expense - minimum lease payments	413	411
Insurance	8	8
Corporate services	188	89
Consultancies and contractors	2,946	2,630
Travel expenses	83	72
EDP expenses	553	296
Legal fees	202	214
Other operating expenses	806	572
	<u>5,223</u>	<u>4,315</u>

(c) Depreciation and Amortisation

	2003	2002
	\$'000	\$'000
Depreciation		
– Plant and Equipment	189	153
	<u>189</u>	<u>153</u>

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

3 REVENUES

	2003	2002
	\$'000	\$'000
(a) Sale of goods and services		
– Rendering of services (reimbursement of both external consultancies and in-house costs.)	819	823
	<u>819</u>	<u>823</u>
(b) Investment income		
– Interest	134	61
	<u>134</u>	<u>61</u>
(c) Grants and contributions		
– Budget sector entities	3	8
	<u>3</u>	<u>8</u>
(d) Other revenue		
– Lease incentive amortisation	16	30
– Conferences	116	0
– Other	16	2
	<u>148</u>	<u>32</u>

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

	2003	2002
	\$'000	\$'000
Proceeds from disposal	4	1
– Written down value of assets disposed	(20)	(12)
	<u>(16)</u>	<u>(11)</u>

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

5 APPROPRIATIONS

	2003	2002
	\$'000	\$'000
Recurrent appropriations		
– Total recurrent drawdowns from Treasury (per Summary of Compliance)	12,001	9,383
– Less: Liability to Consolidated Fund (per Summary of Compliance)	1,586	378
	10,415	9,005
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	10,415	9,005
	10,415	9,005
Capital appropriations		
– Total capital drawdowns from Treasury (per Summary of Compliance)	304	344
– Less: Liability to Consolidated Fund (per Summary of Compliance)	0	0
	304	344
Comprising:		
Capital appropriations (per Statement of Financial Performance)	304	344
	304	344

6 ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

	2003	2002
	\$'000	\$'000
The following liabilities and / or expenses have been assumed by the Crown Entity.		
– Superannuation	357	259
– Long service leave	266	112
– Payroll tax	21	16
	644	387

7 PROGRAMS/ACTIVITIES OF THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL

Program 1 - Pricing Regulation

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

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

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

8 CURRENT ASSETS - CASH

	2003	2002
	\$'000	\$'000
- Cash at bank and on hand	3,333	1,605
	<u>3,333</u>	<u>1,605</u>

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)	3,333	1,605
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>3,333</u>	<u>1,605</u>

9 CURRENT ASSETS - RECEIVABLES

	2003	2002
	\$'000	\$'000
- Sale of goods and services	709	438
- Interest Receivable	80	36
- GST receivable from Australian Taxation Office	119	77
- Other	12	12
	<u>920</u>	<u>563</u>

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

10 CURRENT ASSETS-OTHER

	2003	2002
	\$'000	\$'000
- Prepayments	34	92
	<u>34</u>	<u>92</u>

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

11 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	2003	2002
	\$'000	\$'000
Plant and Equipment		
At Fair Value	1,720	1,321
Less: Accumulated Depreciation	741	656
	<u>979</u>	<u>665</u>
Total Property Plant and Equipment at Net Book Value	<u>979</u>	<u>665</u>

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.

	2003
	\$'000
Plant and Equipment	
Carrying amount at start of year	665
Additions	523
Disposals	(20)
Depreciation expense	(189)
Carrying amount at end of year	<u>979</u>

12 CURRENT LIABILITIES - PAYABLES

	2003	2002
	\$'000	\$'000
Accrued salaries, wages and on-costs	169	138
Creditors	350	281
	<u>519</u>	<u>419</u>

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

13 CURRENT/NON CURRENT LIABILITIES - PROVISIONS

	2003	2002
	\$'000	\$'000
CURRENT		
Employee benefits and related on-costs		
Recreation leave	602	543
Payroll tax	42	83
Workers compensation insurance	6	0
	650	626
NON CURRENT		
Employee benefits and related on-costs		
Recreation leave	25	0
Payroll tax	57	0
Workers compensation insurance	7	0
	89	0
Total Provisions	739	626
Aggregate employee benefits and related on-costs		
Provisions – current	650	626
Provisions – non-current	89	0
Accrued salaries, wages and on-costs (Note 12)	169	138
	908	764

14 CURRENT LIABILITIES - OTHER

	2003	2002
	\$'000	\$'000
Current		
– Liability to Consolidated Fund	1,586	378
– Lease incentive	16	16
– Prepaid revenue	0	108
	1,602	502
Non-Current		
– Lease incentive	25	40
	1,627	542

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

15 CHANGES IN EQUITY

	Total Equity	
	2003	2002
	\$'000	\$'000
Accumulated Funds		
Balance at the beginning of the financial year	1,338	447
Changes in equity-transactions with owners as owners	0	0
Changes in equity-other than transactions with owners as owners		
Surplus /(deficit) for the year	1,043	891
Balance at the end of the financial year	2,381	1,338

16 COMMITMENTS FOR EXPENDITURE

	2003	2002
	\$'000	\$'000

(a) Capital Commitments

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

– Not later than one year	20	41
Total (including GST)	20	41

(b) Other Expenditure Commitments

Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:

– Not later than one year	42	88
Total (including GST)	42	88

(c) Operating Lease Commitments

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	470	573
– Later than one year and not later than five years	2,341	2,292
– Later than five years	71	28
Total (including GST)	2,882	2,893

The total Commitments other expenditure above includes input tax credits of \$239,000 that are expected to be recoverable from the Australian Taxation Office.

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

17 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

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

Contingent Assets

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

18 BUDGET REVIEW

Net Cost of Services

The lower than budget net cost of services (\$2.192Million) was affected by two main factors: underspending in consultancies and greater than projected income.

Consultancies: The audit costs for IPART's role in monitoring Full Retail Competition were lower than projected; and the supplementation to implement the Greenhouse Gas Abatement Scheme was not fully expended when the major task of developing an on-line trading Registry extended beyond June 2003.

Revenue: When the budget was developed IPART had no engagements to provide services to other government agencies or regulators in 2003/04. In the course of the financial year IPART received several referrals from agencies and a major engagement from the Independent Competition and Regulation Commission.

These were offset by an increase in Employee Related expenses from applying AASB 1028 (\$227,000)

Assets and Liabilities

Current Assets: Total current assets exceeded budget by \$2.037 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 \$1.586 Million.

Non-Current Assets: Plant and Equipment was close to the budgeted amount.

Current-Non Current Liabilities: Total liabilities exceeded budget by \$1.298 Million. This was due to employee provisions being \$93,000 higher than budget mainly due to the application of AASB 1028. In addition, the liability to Consolidated Fund of \$1.586 Million was not anticipated at the time of preparing the budget.

Cash Flows

Cash flows from operating activities exceeded budget by \$2.053 Million due to additional recurrent funding for greenhouse gas abatement scheme, lower than expected payments for consultancies and higher anticipated revenue for external work for bodies such as the Independent Competition and Regulatory Commission and the Tribunal's conference.

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

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

	2003	2002
	\$'000	\$'000
Net Cash from operating activities	2,247	1,411
– Cash Flows from Government / Appropriations	(12,548)	(9,900)
– Acceptance by the Crown Entity of employee benefits and other	(401)	(214)
– Depreciation	(189)	(153)
– Net (loss) / gain on sale of plant and equipment	(16)	(11)
– Decrease/(increase) in provisions	(113)	(104)
– Increase/ (decrease) in receivables and other assets	299	277
– Decrease/ (increase) in creditors	(100)	(89)
– Decrease/ (increase) in other liabilities	501	(62)
Net Cost of Services	<u>(10,320)</u>	<u>(8,845)</u>

20 ADMINISTERED ASSETS AND LIABILITIES

	2003	2002
	\$'000	\$'000
Administered Assets		
Cash	0	1
Receivables	3,536	3,760
Total Administered Assets	<u>3,536</u>	<u>3,761</u>
Administered Liabilities		
Liability to Consolidated Fund	3,536	3,761
Total Administered Liabilities	<u>3,536</u>	<u>3,761</u>

21 ADMINISTERED REVENUE-SCHEDULE OF UNCOLLECTED AMOUNTS

	2003	2002
	\$'000	\$'000
Electricity/Gas Supplier Licences and Authorisations		
Not later than one year	3,536	3,760
	<u>3,536</u>	<u>3,760</u>

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

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 3.75% (3.75% in 2001-02) and at year end the rate was 3.75% (3.73% at 30 June 2002).

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 uncollectible 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)

Water Pricing

- ▼ Register Development Servicing Plans for developer charges for Sydney Water Corporation, Hunter Water Corporation, Gosford City Council and Wyong Shire Council.
- ▼ Commence review of bulk water prices (when outstanding matters associated with separation of State Water from Department of Land and Water Conservation are resolved).
- ▼ Commence review of metropolitan water prices to apply from 1 July 2005.

Water Licensing

- ▼ Conduct annual audits of the operating licences for Sydney Water Corporation, Sydney Catchment Authority and Hunter Water Corporation for 2002/03.
- ▼ Commence end of term reviews of the operating licences of Sydney Water Corporation and Sydney Catchment Authority. New licences are to apply from 1 January 2005.

Transport

- ▼ Recommend NSW taxi fares, private bus and private ferry fares for 2003/04 to the Minister for Transport.
- ▼ Determine annual prices for CityRail and State Transit Authority for 2003/04.
- ▼ Determine key parameters for application in the NSW Rail Access Regime.
- ▼ Register rail access agreements.

Energy

- ▼ Review retail gas prices for small business and residential customers in Tweed Heads.
- ▼ Monitor compliance with current electricity determinations.
- ▼ Continue work on 2004 electricity network review conducted under the National Electricity Code for the period from 1 July 2004.
- ▼ Undertake joint review of metrology procedures with other jurisdictional Regulators.
- ▼ Prepare price and service report for NSW Distribution Network Service Providers.
- ▼ Engage consultants to carry out system and performance audits of those retailers active in the 'small retail' market. A audit report will be released in July 2003.

- ▼ Develop additional schedules to the electricity Pricing Principles and Methodologies.
- ▼ Continue six monthly reporting for those licence holders supplying consumers in the 'small customer' market (annual bill less than \$16,000).
- ▼ Commence review of AGLGN's and Country Energy's revised access arrangement for access to the gas network in and around Wagga Wagga. The revised access arrangement is due 1 January 2004.
- ▼ Consider tender process for proposed Central Ranges extension to the gas network under the National Gas Code.
- ▼ Undertake review of default retail prices in both the electricity and gas markets – for small retail customers (with bills up to \$16,000pa) for the 3 years from 1 July 2004.
- ▼ Review DNSP distribution loss factors as required under the National Electricity Code.

Analysis and Policy Development

- ▼ Review recent reforms to the NSW health system and the opportunities to further improve its performance.
- ▼ Conduct Household Survey to collect information on current use and cost of utility services matched to household characteristics. This will assist in assessing the social and equity impacts of proposed price changes.
- ▼ Review Harm Minimisation strategies for gaming.
- ▼ Develop quality assurance manual.

Greenhouse Gas Scheme Administrator

- ▼ Conducting eight trial accreditations of abatement certificate providers to finalise accreditation documents and processes, and conditions of accreditation.
- ▼ Managing contractor's development of on-line registry.
- ▼ Establishing and training a panel of auditors.
- ▼ Preparing Audit Guidelines and a template Audit Report.
- ▼ Preparing fact sheets on key aspects of scheme to assist general stakeholders.
- ▼ Preparing compliance reporting format for benchmark participants.

OUR WORK PROGRAM FOR 2003/2004

CONTINUED...

Outline budget for 2003/04

	\$000
EXPENSES	
Employee related	7,301
Other operating	7,949
Maintenance	24
Depreciation	200
TOTAL EXPENSES	15,474
REVENUE	
Sales of goods and services	500
Investment income	51
Other revenue	
TOTAL REVENUE	551
Net cost of services	14,923
GOVERNMENT CONTRIBUTIONS	
Recurrent appropriation	14,126
Capital appropriation	180
Acceptance by Crown Entity or employee entitlements	638
TOTAL GOVERNMENT CONTRIBUTIONS	14,944
SURPLUS/ (DEFICIT)	21

New responsibilities: Greenhouse gas emission targets

In 2002/03, the NSW Government fulfilled its intention to implement an enforceable greenhouse gas emission reduction scheme for licensed electricity retailers. 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 are 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.

The government appointed IPART to administer and implement this Scheme from 1 January 2003. Substantial progress was made in the six months to 30 June 2003 as highlighted in the Achievements section at page 5.

Going forward, the key issues to be managed will be:

- ▼ the uncertain (and potentially very high) volume of applications seeking accreditation as abatement certificate providers
- ▼ continuing pressure from applicants for the Minister to change the scheme's Rules where applicants find they cannot meet the requirements of the Rules
- ▼ maintaining the quality and timeliness of the accreditation process and audits by external audit panel
- ▼ further enhancing processes to support participants' compliance with the Rules and enforce obligations where necessary
- ▼ the emission-reduction targets will become increasingly challenging from 2005.

IMPACTS OF IPART'S DETERMINATIONS

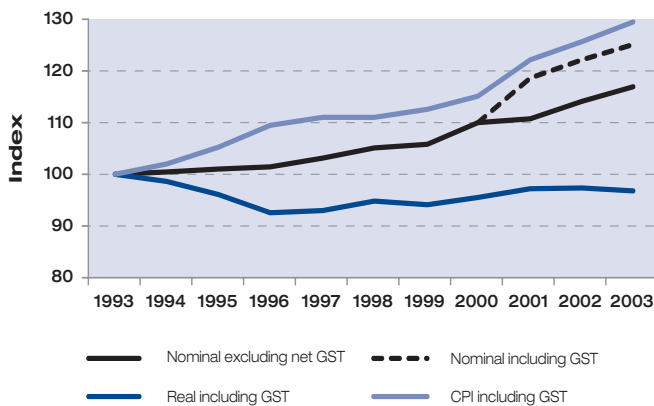
As part of its role as regulator of the electricity, gas, water and public transport industries in NSW, IPART sets the maximum prices that service providers in these industries can charge. These price determinations affect both household and business costs.

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).

In 2002/03, households paid on average 2.5 per cent more for electricity, gas, water, sewerage and public transport in nominal terms than they did in 2001/02. This increase is slightly lower than the increase in CPI so that average household charges fell by roughly 0.5 per cent in real terms. Average household charges are 3 per cent lower than they were in 1992/93 in real terms, including GST. If the net impact of GST and the new tax system are excluded, household charges are 7 per cent lower in real terms than in 1992/93.

Figure 1 - Composite index of household charges from 1992/93 to 2002/03



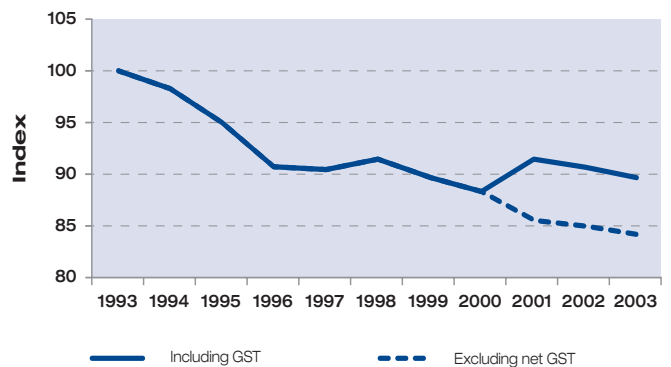
An overview of changes in residential prices between 2001/02 and 2002/03 in each industry IPART regulates follows.

Electricity

Contestability was introduced into the residential retail market on 1 January 2002. However, customers who have not switched to a contestable tariff remain on a regulated default tariff. The average price paid by residential customers on the regulated default tariff increased by 2 per cent in nominal terms between 2001/02 and 2002/03, which translates into a real decrease of roughly 1 per cent.

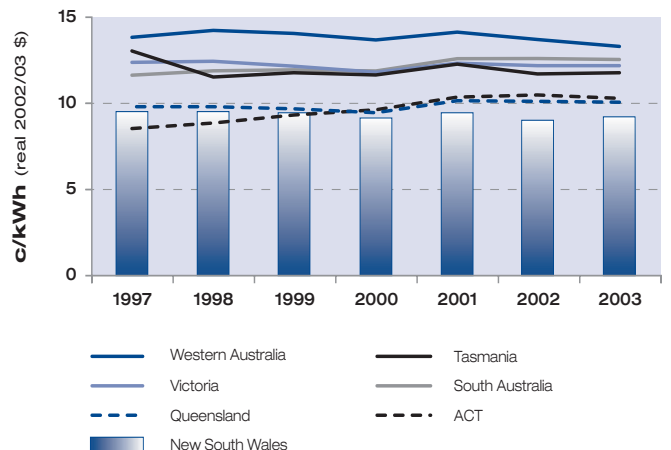
As shown in figure 2, regulated prices have decreased by about 10 per cent in real terms since 1992/93, including GST, and by 16 per cent if the net effect of GST and the new tax system is excluded.

Figure 2 - Index of residential electricity prices 1992/93 – 2002/03 (real)



Regulated electricity prices in NSW are amongst the lowest in Australia. Figure 3 shows that prices for a typical customer in Sydney are lower than in the capital cities of the other states.

Figure 3 - Inter-state comparison of residential electricity prices in capital cities, 1996/97 – 2002/03 (real)



Note to figure 3: Prices calculated for 5,000 kWh per year consumption on a combined standard domestic and off-peak tariff, with 2,500 kWh consumed off-peak. Prices include GST.

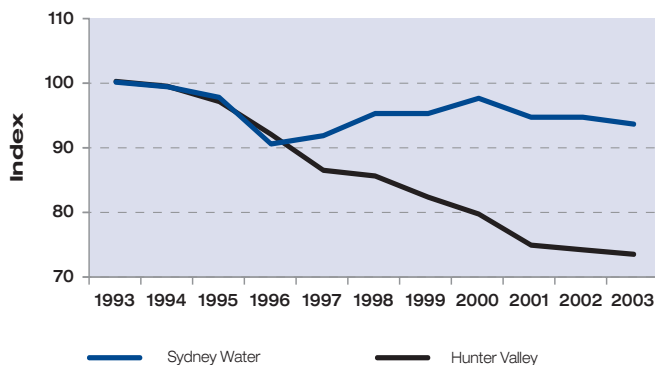
Source: *Electricity Prices in Australia 2002/03*. Electricity Supply Association of Australia.

Metropolitan Water

Water and sewerage services charges for typical residential customers using 240 kL of water per year fell by 1 per cent in real terms between 2001/02 and 2002/03 in both the Sydney Water Corporation and Hunter Water Corporation supply areas.

Prices are significantly lower, in real terms, than they were in 1992/93. As figure 4 shows, the bill of a Sydney Water Corporation customer using 240 kL of water per year is 7 per cent lower, and the bill for a Hunter Water Corporation customer is 27 per cent lower.

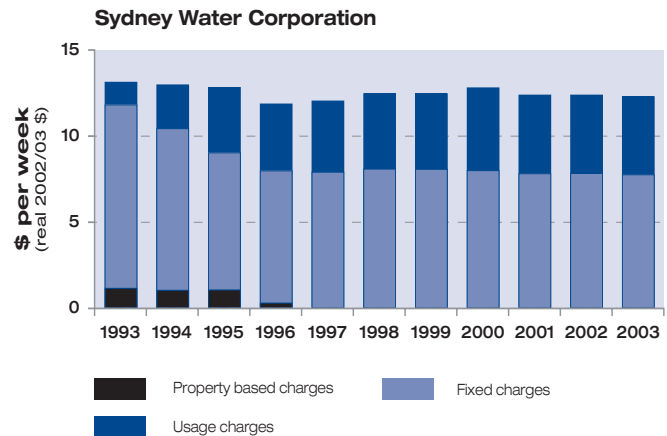
Figure 4 - Index of residential water and sewerage charges 1992/93 – 2002/03 (real)



Water and sewerage pricing has been restructured since 1993 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.

Figure 5 - Composition of SWC residential water and sewerage bills 1992/93 – 2002/03 (real)



As shown in figure 5, Sydney Water Corporation's residential pricing structure was reformed between 1993 and 1997, and has remained relatively stable since then. Usage charges currently account for 37 per cent of the total water and wastewater bill, and 76 per cent of the water component alone.

Figure 6 - Composition of Gosford City Council residential water and sewerage bills 1992/93 – 2002/03 (real)

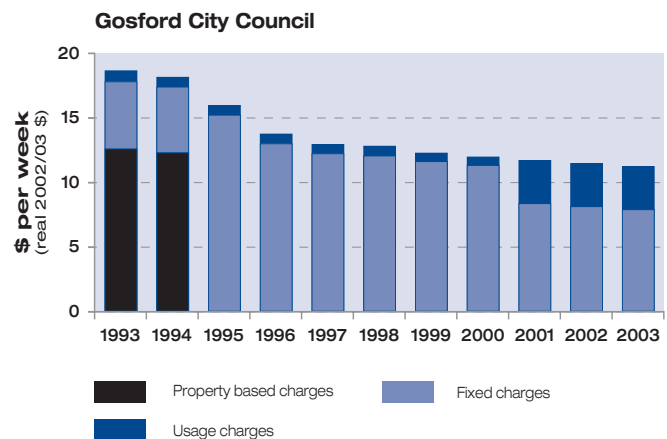


Figure 6 shows that Gosford City Council eliminated property base charges and introduced water usage charges between 1993 and 1995. The council further restructured tariffs in 2000/01 by eliminating the free water allowance. Tariffs in Wyong Shire Council have followed a similar pattern.

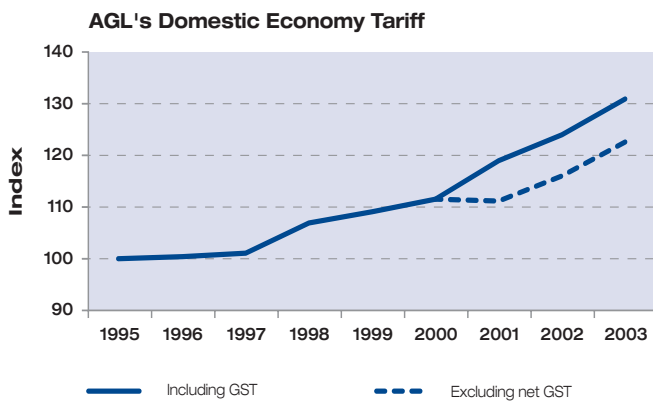
IMPACTS OF IPART'S DETERMINATIONS

CONTINUED...

Gas

IPART took over the regulation of gas prices in 1995/96. Figure 7 shows that, since that time, AGL's domestic economy tariff has increased by 31 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 23 per cent in real terms.

Figure 7 - Index of residential gas prices for AGL customers 1994/95 - 2002/03 (real)



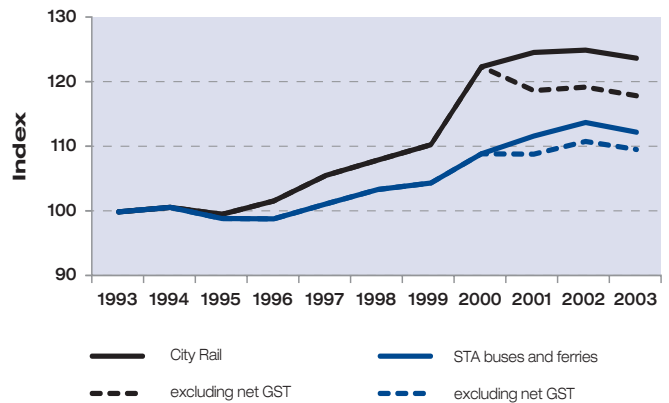
Note: Prices are calculated for a customer on AGL's domestic economy (Everytime Plus) tariff and using 25 GJ of gas per year.

Public transport

Public transport prices have increased significantly in real terms between 1992/93 and 2002/03, to better reflect the costs of service provision. CityRail fares were on average 24 per cent higher, and State Transit Authority (bus and ferry) fares were 12 per cent higher by 2002/03, including GST. The increases excluding net GST were 18 per cent and 10 per cent respectively.

Nominal increases in 2002/03 were granted in line with the submissions made to the Tribunal by the agencies. The nominal rises were both around 2 per cent, slightly lower than the inflation rate, so that average real fares decreased by about 1 per cent in that year.

Figure 8 - Index of public transport prices 1992/93 - 2002/03 (real)



Impacts on non-residential customers

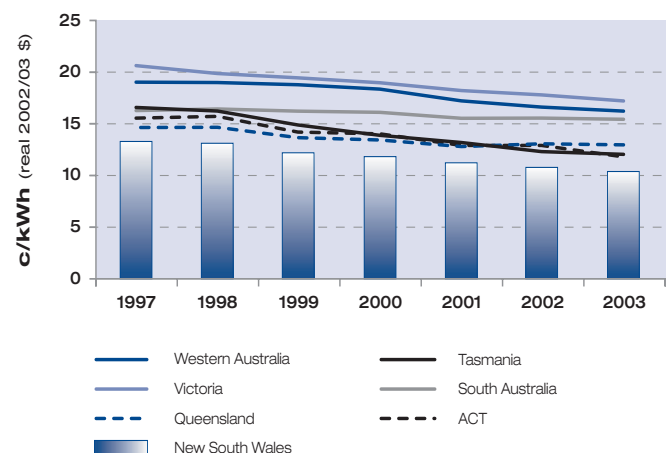
The Tribunal's decisions have an impact on the prices typically paid by non-residential customers in water, gas and electricity industries.

Electricity

National Competition reform has progressively introduced contestability into the electricity market since 1996, and IPART no longer regulates most non-residential tariffs. Business customers with consumption of less than 160 MWh per year can however still choose to remain on the default tariff, which is regulated.

IPART regulates all network distribution charges which, on average, comprise 30-60 per cent of the final retail tariff.

Figure 9 - Inter-state comparison of regulated electricity prices for small businesses in capital cities, 1996/97 - 2002/03 (real)



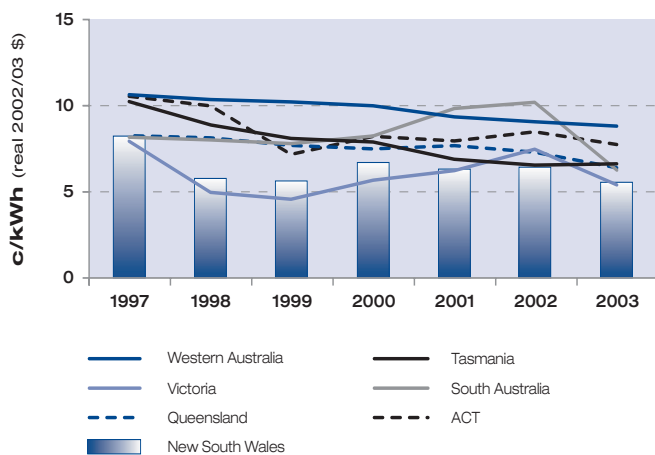
Note to figure 9: Prices calculated for consumption of 30 MWh per year on a general supply tariff. Prices exclude GST.

Source: *Electricity Prices in Australia 2002/03*. Electricity Supply Association of Australia

Regulated prices for small businesses, as measured by the Electricity Supply Association of Australia, are lower in Sydney than in the capital cities of the other states. As in the other states, these prices have fallen in real terms since 1996/97 (excluding GST).

Contestable tariffs for large businesses in Sydney are amongst the lowest in Australia (figure 10). The trends in NSW have generally followed the trends in the other capital cities since 1996/97, and prices in 2002/03 are lower, in real terms, than they were in 1996/97.

Figure 10 - Inter-state comparison of electricity prices for large businesses in capital cities, 1996/97 - 2002/03 (real)

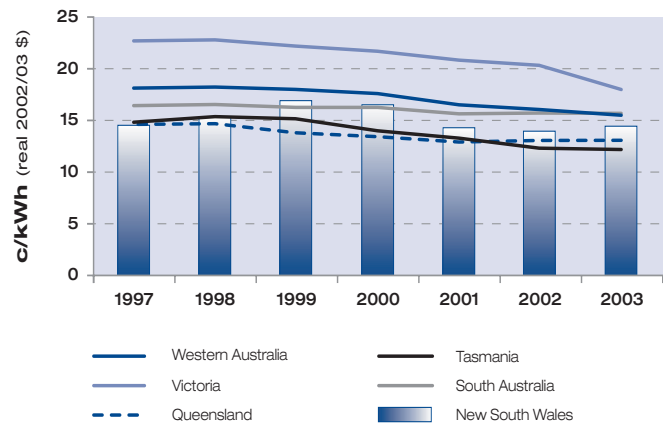


Note: Prices calculated for 2,500 kW demand with 60% load factor or consumption of 13,140 MWh per year. Prices exclude GST.

Source: *Electricity Prices in Australia 2002/03*. Electricity Supply Association of Australia.

Regulated farming prices in NSW, as measured by the Electricity Supply Association of Australia, are lower than in Victoria, South Australia and Western Australia but higher than in Queensland and Tasmania (figure 11). In real terms, prices increased during 1999 and 2000, but by 2002/03 were very close to the 1996/97 level (excluding GST).

Figure 11 - Inter-state comparison of regulated farming electricity prices, 1996/97 - 2002/03 (real)



Note: Prices calculated for consumption of 30 MWh per year on a farming tariff. Prices exclude GST.

Source: *Electricity Prices in Australia 2002/03*. Electricity Supply Association of Australia

Metropolitan Water

Prices for non-residential customers of water and wastewater services fell substantially between 1992/93 and 2002/03.⁴ For example:

- ▼ Sydney Water Corporation customers now pay on average 55 per cent less per kL of metered water purchased than in 1992/93, in real terms.
- ▼ Hunter Water Corporation customers pay almost 40 per cent less per kL of metered water purchased than in 1992/93, in real terms.

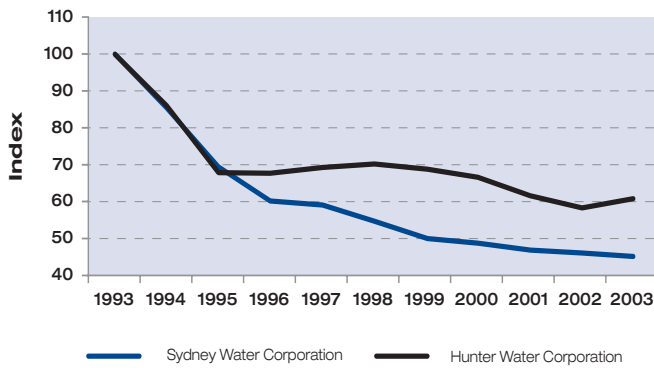
This change is largely due to the reduction or elimination of property-based charges. It has been achieved without real increases in residential bills, and has reduced the burden of water costs on non-residential users. The recent reduction for customers of Hunter Water Corporation is also due to the introduction in 2001/02 of a third tier water tariff for consumption in excess of 50,000kL per year.

4 The average prices for 2002/03 are derived from projected revenue and sales. The index for Sydney Water Corporation fell by 54 per cent between 1992/3 and 2001/02, while the index for Hunter Water Corporation fell by 42 per cent over the period. The slight increase in Hunter Water Corporation's expected revenue per kL sold between 2001/02 and 2002/03 is due to an expected reduction in the volume of water sold.

IMPACTS OF IPART'S DETERMINATIONS

CONTINUED...

Figure 12 - Index of real water and wastewater charges for non-residential customers 1992/93 – 2001/02



Note: The index measures average revenue per kL of water sold, and is therefore only a rough indicator of prices.

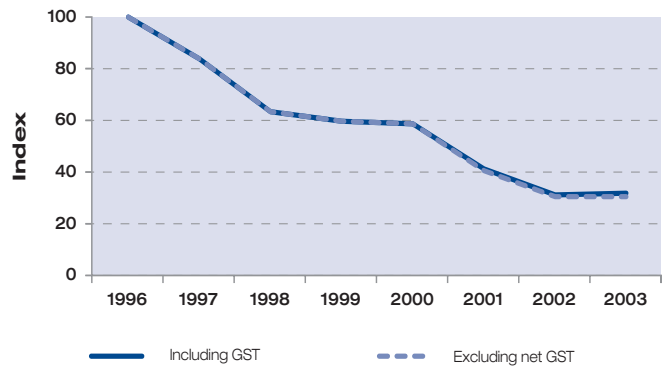
Gas

Contestability has been progressively introduced into the gas market since 1997, and all customers have been contestable since 1 July 2000.⁵ IPART regulates 'safety net' retail tariffs for the majority of small business customers in NSW. However, it does not regulate retail tariffs for customers using more than 1 TJ of gas per annum.⁶

IPART also regulates network charges, which are a component of the final price of delivered gas. Network charges comprise 30-50 per cent of 'safety net' retail tariffs.

Non-residential network prices have fallen since IPART took over the regulation of gas prices in 1995/96. For example, by 2002/03 AGL Gas Network's (contract) prices were 32 per cent of prices in 1995/96, including GST, in real terms.⁷ When the net impact of the GST and new tax system are excluded, prices in 2002/03 are 30 per cent of 1995/96 prices.

Figure 13 - Index of real gas network (contract) prices 1995/96 – 2002/03

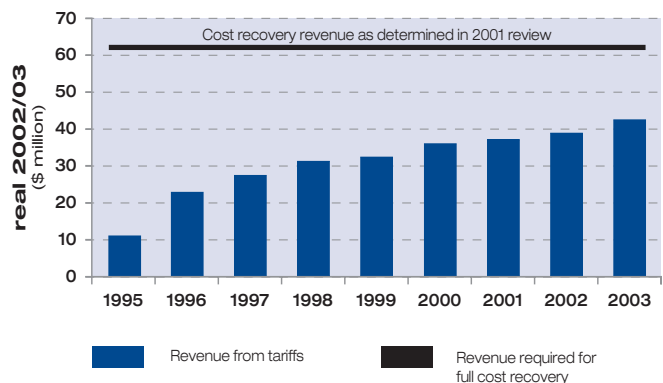


Bulk water

The price of bulk water has increased over the period 1992/93 to 2002/03, due to the implementation of the 'user pays' principle. Figure 14 shows that, if water usage remained at the long-term average, revenue from bulk water tariffs would have increased from \$11 million in 1994/5 to \$42 million in 2002/03, expressed in real 2002/03 dollar values. Due to the drought, actual revenue in 2002/03 will be well below this level.

Revenue calculated on the basis of long-term average sales volumes would recover about 68 per cent of the target (full cost recovery) revenue in 2002/03. This is a substantial increase since 1994/95, when revenue from long-term average sales would have recovered only 18 per cent of this target revenue.

Figure 14 - Actual and target revenue from bulk water tariffs 1994/95 – 2002/03 (real)



5 Customers with consumption of less than 1 TJ per year can still choose to remain on the default tariff, which is regulated.
 6 Consumption of 1 TJ of gas equates to a yearly bill of approximately \$12,500.
 7 Contract customers are those whose gas consumption is equal to or greater than 10 TJ a year.

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
- ▼ Undertaking reviews referred to it in relation to industry, pricing or competition
- ▼ Arbitrating access disputes in relation to public infrastructure access regimes
- ▼ Registering access agreements
- ▼ Regulating water, electricity and gas licences
- ▼ Investigating complaints under the competitive neutrality regime.

Regulating prices and reviewing pricing policies

IPART conducts investigations and makes reports to the Minister on the determination of the pricing for a specified government monopoly service supplied by a government agency and also conducts periodic reviews of the pricing policies of specified government monopoly services.

A service may be declared to be a government monopoly service if it is a service:

- ▼ for which there are no other suppliers to provide competition in the part of the market concerned
- ▼ for which there is no contestable market by potential suppliers in the short term.

There are two main ways in which IPART's investigations may 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. Under Section 11, IPART may initiate investigations of declared monopoly services supplied by these standing reference agencies.

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

- ▼ Sydney Water Corporation
- ▼ Hunter Water Corporation
- ▼ 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 or other relevant port authorities within the meaning of Part 5 of the *Ports Corporatisation and Waterways Management Act 1995*
- ▼ Sydney Catchment Authority
- ▼ Water Administration Ministerial Corporation.

APPENDIX 1

LEGISLATIVE PROVISIONS

CONTINUED...

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.

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.

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
- ▼ The impact on pricing policies of any arrangements that the agency concerned has entered into for the exercise of its 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 16A).

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 practicable (Section 17). 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 may 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.

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 usual functions.

Arbitrating access disputes

Under Part 4A of the Act, any disputes that exist with respect to a public infrastructure access regime are subject to arbitration by IPART. In carrying out these arbitration functions, IPART may appoint an arbitrator from a panel approved by the Premier 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.

APPENDIX 1

LEGISLATIVE PROVISIONS

CONTINUED...

Registering access agreements

Section 12B of the Act requires that IPART be notified of proposed access agreements. IPART may provide advice on the proposed agreement to the agency and to the Premier. It is required to register all access agreements (Section 12C).

Regulating licences

IPART is responsible for ensuring regulated entities are meeting their licence requirements for quality of product, environmental impact and consumer protection.

Under its 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 is responsible 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. 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 monetary penalties or require a utility to take remedial action if the utility knowingly contravened 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 specifies the processes IPART is to follow in investigating such a complaint.

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.

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 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.
- ▼ Approve associate contracts entered into by owners or operators of a gas pipeline.
- ▼ Arbitrate access disputes.

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.

Greenhouse Gas Abatement Scheme

The NSW Greenhouse Gas Abatement Scheme was introduced by amendments to the *Electricity Supply Act 1995* in December 2002. From 1 January 2003 electricity retail suppliers and certain other parties are required to meet mandatory targets for abating the emission of greenhouse gases from electricity production and use. Under new powers contained in the amendments to the *Electricity Supply Act 1995*, IPART is responsible for:

- ▼ determining and publishing key factors that are used to determine greenhouse gas benchmarks for the year
- ▼ determining the greenhouse gas benchmark for each benchmark participant
- ▼ determining the greenhouse shortfall and any liability for greenhouse penalty payable by a benchmark participant.

IPART must monitor compliance with greenhouse gas benchmarks and must report annually to the Minister regarding such compliance. It may also conduct or require the conduct of audits.

IPART has also been appointed as the Scheme Administrator by the Minister for Energy. As Scheme Administrator, it is responsible for:

- ▼ accreditation of abatement certificate providers
- ▼ verification of greenhouse gas abatement activity
- ▼ administration of a registry of abatement certificates.

As Scheme Administrator, IPART must monitor and report annually to the Minister on the compliance of accredited abatement certificate providers with the Act, the regulations, the Greenhouse Gas Benchmark Rules and any conditions of accreditation. It may also conduct or require the conduct of audits.

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.

APPENDIX 2

PUBLIC HEARINGS AND SUBMISSIONS

Public hearings and workshops, 2002/03

During 2002/03, the Tribunal held 51 meetings, hosted 4 public hearings, 2 public forums and 9 public workshops.

The Chairman, Dr Thomas Parry, attended 48 of these meetings and the full-time member, Mr James Cox, 45 meetings. Ms Cifuentes attended 40 meetings.

The following workshops were held to brief participants and interested parties on the Greenhouse Gas Abatement Scheme:

Introduction to the NSW Greenhouse Gas Abatement Scheme

Mandatory Benchmark Participants

Generation Certificate Providers

Large Customers and State Significant Projects: Workshops 1 and 2

Demand Side Abatement Certificate Providers

Public hearings and workshops, 2002/03

Date	Investigation	Venue
26-Jun-03	Private Bus and Ferry Fare Review Workshop - Buses and Ferries	Sydney
6-Jun-03	NSW Taxi Fares Review Workshop	Sydney
10-Dec-02	Review of maximum prices to be charged by NSW Metropolitan Water Agencies - Gosford and Wyong Councils	North Gosford
9-Dec-02	Review of maximum prices to be charged by NSW Metropolitan Water Agencies - Hunter Water Corporation	Newcastle
28-Nov-02	Review of maximum prices to be charged by NSW Metropolitan Water Agencies - Sydney Water Corporation and Sydney Catchment Authority	Sydney

APPENDIX 2

PUBLIC HEARINGS AND SUBMISSIONS

Submissions to investigations completed during 2002/03

The Tribunal invited stakeholders and the public to make submissions to the investigations it completed during 2002/03, and received a total of 221 submissions.

Closure date = day submissions close

Submissions to investigations completed during 2002/03		
Closure Date	Investigation	Submissions
01-Jul-02	Notice of Review of Initial Metrology Procedures	7
15-Jul-02	Review of Prescribed Distribution Services	5
16-Aug-02	Review of Electricity and Gas Licensing Regimes in NSW – Draft Report	9
22-Aug-02	2001/02 Operational Audit of Hunter Water Corporation	1
30-Sep-02	Weighted Average Cost of Capital	10
2-Oct-02	Review of Capital Expenditure and Operating Expenditure of NSW Distribution Network Service Providers	4
25-Oct-02	Review of Metrology Procedures – Comments on Draft Report	6
15-Nov-02	Review of Prices – Metropolitan Water, Sewerage and Drainage Services	31
31-Jan-03	Review of Hunter Water Corporation's Customer Contract	4
7-Feb-03	Central Ranges Tender Approval Request	6
10-Apr-03	2004 Draft Decision on Prescribed and Excluded Distribution Services	5
10-Apr-03	2004 Electricity Network Review – Distribution Network Service Providers	4
17-Apr-03	Review of Gas Authorisation and Electricity Licence Fees	15
9-May-03	ActewAGL Miscellaneous Charges for the Shoalhaven (Voluntary Pricing Principles)	4
23-May-03	Review of Guaranteed Customer Services Standards and Operating Statistics	13
30-May-03	Review of fares for Private Transport Services	36
16-Jun-03	Determination – Transport Prices – STA & SRA 2003	61

APPENDIX 3

PUBLICATIONS

Release date	Title	Ref. No.
Electricity		
26-May-03	Electricity distribution and retail licences - Compliance report for 2001/02 - Report to the Minister for Energy	CP-10
16-May-03	Providing Incentives for Service Quality in NSW Electricity Distribution - An Issues Paper	DP63
1-Apr-03	Review of Guaranteed Customer Service Standards and Operating Statistics - Issues Paper	DP61
4-Mar-03	Review of Gas Authorisation and Electricity Licence Fees - Issues Paper	DP60
24-Feb-03	Commencement of Ring Fencing Guidelines	Notice Guidelines
7-Feb-03	Review of Prescribed and Excluded Distribution Services - Draft Decision	DP59
29-Jan-03	Review of Initial Metrology Procedure - Final Report New South Wales Electricity Supply Industry Metrology Procedure - Types 5, 6 & 7 Metering Installations	NCR-12 Procedure
20-Jan-03	Review of Electricity and Gas Licensing Regimes in NSW - Final Report	S9-9
Nov-02	A Users Guide to the Financial Model for the 2004 Electricity Network Pricing Review	OP-15
26-Nov-02	Regulatory arrangements for the NSW Distribution Network Service Providers from 1 July 2004 - Issues Paper	DP58
3-Oct-02	Inquiry into the Role of Demand Management and Other Options in the Provision of Energy Services - Final Report	Rev02-2
30-Sep-02	Review of Initial Metrology Procedure - Draft Report	NCR-11
19-Sep-02	Electricity Undergrounding in New South Wales - A Final Report to the Minister for Energy	S9-7
11-Sep-02	Price and Service Report for 2000/01 - NSW Distribution Network Service Providers	OP14
19-Aug-02	Weighted Average Cost of Capital - Discussion Paper	DP56
Water		
6-Jun-03	Review of trade waste pricing proposals by Sydney Water Corporation, Hunter Water Corporation and Gosford City Council and Wyong Shire Council - Prepared for IPART by GHD	OP-16
23-May-03	Hunter Water Corporation - Prices of Water Supply, Wastewater and Stormwater Services - Prices from 1 July 2003 to 30 June 2005	Det03_3
23-May-03	Sydney Water Corporation - Prices of Water Supply, Wastewater and Stormwater Services - Prices from 1 July 2003 to 30 June 2005	Det03_4
21-May-03	Wyong Shire Council - Prices of Water Supply, Wastewater and Stormwater Services - Prices from 1 July 2003 to 30 June 2005	Det03_2
21-May-03	Gosford City Council - Prices of Water Supply, Wastewater and Stormwater Services - Prices from 1 July 2003 to 30 June 2005	Det03_1
19-May-03	Sydney Water Corporation Operational Audit 2001/2002	CP-9
21-Jan-03	Sydney Catchment Authority Operational Audit 2001/2002	CP-8

APPENDIX 3 PUBLICATIONS

Release date	Title	Ref. No.
Water continued		
10-Jan-03	Hunter Water Corporation Operational Audit 2001/2002	CP-7
29-Nov-02	Mid-Term Review of Sydney Catchment Authority's Operating Licence - Released by Minister for the Environment	
19-Nov-02	Mid-Term Review of Sydney Water Corporation's Operating Licence - Released by Minister for Energy	
25-Sep-02	Review of Hunter Water Corporation's Customer Contract - Issues Paper	DP57
19-Aug-02	Weighted Average Cost of Capital - Discussion Paper	DP56
31-Jul-02	Water Industry Overview 2001	OP-13
Public Transport		
19-Aug-02	Weighted Average Cost of Capital - Discussion Paper	DP56
Gas		
24-Jun-03	Mid-term review of AGL Retail Energy's gas retail prices to 2004	Gas03-02
1-Apr-03	Review of Guaranteed Customer Service Standards and Operating Statistics - Issues Paper	DP61
14-Mar-03	IPART - Tender Approval Request for the Supply of Natural Gas to the Central Ranges Region of NSW - Decision	Gas03-01
4-Mar-03	Review of Gas Authorisation and Electricity Licence Fees	DP60
20-Jan-03	Review of Electricity and Gas Licensing Regimes in NSW - Final Report	S9-9
19-Aug-02	Weighted Average Cost of Capital - Discussion Paper	DP56
Private Transport		
17-Jul-03	Fare Setting Approaches for Private Bus Services - Final Report - Prepared for IPART by Booz Allen Hamilton	RP23
17-Jul-03	Appraisal of Taxi Fare Structure Issues - Final Report - Prepared for IPART by Booz Allen Hamilton	RP22
7-Apr-03	Review of fares for taxis, private buses and private ferries in NSW - Issues Paper	DP62
Other Publications		
02-Jun-03	Overview of the NSW Greenhouse Gas Abatement Scheme - Prepared for IPART by Acuiti Legal	Rp20
Annual Report		
Dec-02	Annual Report 2001/2002	AR01-02

APPENDIX 4

STAFFING AND CONSULTANTS

Staffing and equal opportunity policies

Although the Central Corporate Service Unit (CCSU) 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 EEO Policies & Policy on Grievance Management
- ▼ Conduct Staff Climate Survey
- ▼ Participate in the Traineeships for People with a Disability program
- ▼ Training & Development for staff from non-English speaking backgrounds
- ▼ Investigate ways to participate in the Migrant Work Experience Program
- ▼ Investigate ways to recruit Aboriginal & Torres Strait Islander Staff.

EEO Highlights for this reporting year

IPART's Staff Climate Survey

The survey was managed by IPART and ARTD Pty Ltd to ensure confidentiality and encourage returns. The survey instrument was designed specifically for IPART, although some of the questions were similar to those used in the NSW Public Sector Workplace Climate Survey. These similarities made it possible to compare some of the results from the survey with average results from other NSW public sector agencies. The survey was distributed to all staff, and achieved a successful response rate of 96 per cent. The analysis of the open-ended feedback and survey rating data from staff highlighted five main contributing factors to a positive workplace climate in IPART. These were:

- ▼ Professional and collegial work environment
- ▼ Flexible work conditions
- ▼ Interesting and satisfying work
- ▼ Effective leadership and organisational structure
- ▼ Resources and physical work environment.

Priorities for improvement included

- ▼ More and regular formal opportunities to enhance internal communication processes with senior management and between teams
- ▼ Support and encourage a change management culture within the organisation as functions change or increase
- ▼ Increase library services for research.

Enhanced communication and staff involvement in the organisation's learning were further explored at the annual staff planning day. Managers and staff at all levels further acknowledged the challenges ahead and the need to build shared understandings for a rapidly growing organisation. Action plans on priorities for improvements were prepared and are evaluated on a regular basis. Improvement has been recognised in the areas listed above.

NSW Government Action Plan for Women

- ▼ The number of women increased during this reporting year from 29 to 32.
- ▼ Women in IPART are able to take advantage of flexible work practices to maintain a healthy work and life balance. This includes temporary or permanent part-time work, and the use of flexi-time.
- ▼ Women in permanent part-time position include those in management and senior management positions.
- ▼ Career development opportunities are available to all members of staff.

APPENDIX 4

STAFFING AND CONSULTANTS

- ▼ Higher duties opportunities and secondment opportunities are supported when operational needs allow. One female staff member took advantage of an opportunity to act in a senior position. One female staff member was able to take advantage of a secondment opportunity to another government agency. One female staff member participated in a leadership course at the London School of Economics.

Ethnic Affairs Priority Statement (EAPS)

IPART recognises the value of cultural diversity and seeks to promote this value and respect for diverse cultures and languages other than English in the workplace. The highlight this year was recognising talent and experience from overseas as a means to broaden our agency's knowledge and skill base in order to contribute to better practice standards and applications to benefit the department. The agency also aims to improve the participation level with key agencies dealing with Diversity in Culture and Equity in Employment. IPART also intends to target the ethnic press for advertisements calling for submissions to the harm minimisation enquiry into gambling in NSW.

Disability Action Plan

The agency's priorities in this area are:

- ▼ Physical Access
- ▼ Staff Training and
- ▼ Employment.

EEO statistics (total staff by level and employment basis)

Number of employees by category, and comparison to prior three years, as at 30 June 2003

	2003	2002	2001	2000	1999
Tribunal Executive	2	2	2	2	2
Directors & General Managers	5	4	4	3	3
Program Managers	9	9	9	6	5
Managers	3	3	3	2	1
Analysts	36	27	22	17	18
General Counsel	1	1	1	1	1
Legal Officers	2	2	2	-	-
Clerical Officers	11	10	8	6	8
Total number of staff includes full time, part time, temporaries and graduates	69	58	51	37	38
Part-time Board members	1	1	1	1	1
Temporary members	1	1	1	1	3
Total number of staff including members	71	60	53	39	42

APPENDIX 4

STAFFING AND CONSULTANTS

CONTINUED...

Staffing by category	
Classification	Total
Program Manager	9
Senior Analyst – level 4	9
Analyst – level 3	17
Analyst – level 2	8
Analyst – level 1	2
HR Manager	1
Office Services Manager	1
IT Manager	1
Support Services	11
Director/Executive Contract	6
Full-time Tribunal Member	1
Legal Officer	2
Part-time Tribunal Member	1
Temporary Tribunal Member	1
Chairman	1
Total	71

Trends in the Representation of EEO Groups					
EEO Group	Target	% of Total Staff			
		2000	2001	2002	2003
Women	50%	55%	55%	46%	48%
Aboriginal people and Torres Strait Islanders	2%	0%	0%	0%	0%
People whose first language was not English	20%	23%	20%	15%	16%
People with a disability	12%	0%	2%	4%	3%
People with a disability requiring work-related adjustment	7%	0%	0%	1.8%	0%

Trends in the Distribution of EEO Groups					
EEO Group	Target	Distribution Index			
		2000	2001	2002	2003
Women	100	0	90	99	97
Aboriginal people and Torres Strait Islanders	100	–	–	–	0
People whose first language was not English	100	–	–	–	n/a
People with a disability	100	–	–	–	n/a
People with a disability requiring work-related adjustment	100	–	–	–	0

Notes to previous table:

- 1 Staff numbers are as at 30 June.
- 2 Excludes casual staff.
- 3 A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE.
- 4 The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Industrial relations policies and practices and awards

Discussions commenced through the Joint Consultative Committee (JCC) with representatives from IPART and the Public Service Association on a new IPART award to replace the existing award which will expire in January 2004. Staff consultation and continued discussions are scheduled for the latter part of the year.

A number of policies tailored to IPART's requirements were developed and released through the JCC, including *Working from Home*, *Higher Duties*, and *Grievance Resolution*.

Code of Conduct

There was no change to IPART's Code of Conduct during this financial year.

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 that helps them to balance their work and family responsibilities, and allows IPART to meet project deadlines.

Occupational Health and Safety

The Occupational Health and Safety Committee meets its statutory responsibilities in the workplace by conducting regular inspections and acting on needs either observed or reported by staff. All staff are encouraged to identify risks or suggest adjustments to work equipment or practices.

Following the successful formal training of each member of the committee, its members initiated:

- ▼ workplace inspections
- ▼ a review of the OH&S policy in light of the new OH&S legislation
- ▼ documentation of emergency procedures for contractors and consultants
- ▼ an inspection of first aid boxes
- ▼ an update of emergency procedures
- ▼ the annual voluntary vaccination against influenza provided by Healthquest.

The committee plans to ensure that staff members are continually aware of their obligations in maintaining a safe workplace by regular updates on its activities at all staff meetings and team meetings.

The induction procedures also provide for clear understanding of emergency procedures and personal responsibilities.

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 in the on pages 7 to 13. The plan is available on request and may be viewed or downloaded from IPART's website.

APPENDIX 4

STAFFING AND CONSULTANTS

CONTINUED...

Consultants

During 2002/03, IPART engaged the following consultants for a total expenditure of \$2,876,690 (work on some of these consultancies was still proceeding at 30 June):

Consultants equal to or more than \$30,000		
Consultant	\$ Cost	Title
Engineering		
PPK E & I Pty Ltd and Parsons Brinckerhoff International (Australia) Pty Ltd	\$49,970.00	Hunter Water Corporation Operational Audit 2001/02
GHD Pty Ltd	\$98,103.64	Sydney Catchment Authority Operational Audit 2001/02
GHD Pty Ltd	\$172,513.70	Sydney Water Corporation Operational Audit 2001/02
Deloitte Touche Tohmatsu	\$95,272.55	Provision of Electricity Licensing Compliance Audit Services
Deloitte Touche Tohmatsu	\$57,727.45	Provision of Gas Authorisation Audit Services
Sinclair Knight Merz	\$39,197.75	Review of Performance Criteria in Sydney Catchment Authority
George Wilkenfeld & Associates Pty Ltd	\$42,590.00	Electricity Retail Supplier Licence compliance with Greenhouse Gas Emissions Reporting
Energy Futures Aus Pty Ltd	\$55,200.00	Advice on accreditation and verification processes for Demand Side Abatement
Sub Total	\$610,575.09	
Finance and Accounting		
RSM Bird Cameron	\$54,390.00	Review of fees charged by the Office of the Protective Commissioner
Booz Allen & Hamilton (Australia) Ltd	\$33,440.00	Review of Taxi Fare Structure & alternative to Bus Cost Index
Parsons Brinckerhoff Associates Ltd (PB Associates)	\$76,289.08	Cost Recovery of Full Retail Contestability costs by NSW energy retail and distribution businesses
Centre for International Economics	\$260,525.00	Assistance for the Electricity 2004 Network Review
Halcrow Pacific Pty Ltd	\$257,745.45	Capital Expenditure, Asset Management and Operating Expenditure Review in NSW Metropolitan Water Agencies
PKF Chartered Accountants & Business Advisers	\$40,000.00	Review of implementation of pricing principles of the Central Corporate Services Unit
Acil Tasman	\$36,363.64	Review of the practicability of introducing a service quality incentive in the determination of fares for City Rail
Meritec LTD	\$236,000.00	Review of NSW Distribution Network Capital Operating Expenditure
East Cape Pty Ltd	\$32,217.27	Research support for 2004 Electricity Network Determination
Sub Total	\$1,026,970.44	

APPENDIX 4

STAFFING AND CONSULTANTS

Management Services		
National Economic Research Associates - NERA	\$47,386.75	Assistance with review of energy licensing regimes in NSW
INSPIRIT Management Services Pty Ltd	\$47,853.02	Review and report on the use of Performance Indicators in NSW Hospitals
Hardes & Associates	\$56,400.00	Analysis and comparison of trends in hospital admissions for IPART Health Review
Ernst & Young	\$551,969.48	NSW Greenhouse Gas Abatement Scheme development and advice
Sub Total	\$703,609.25	
Information Technology		
Logica CMG Pty Ltd	\$50,000.00	Greenhouse Gas Abatement Registry Project
Spherion Education Pty Ltd	\$39,000.00	Redevelopment of Access Database
Sub Total	\$89,000.00	
Legal		
Acuiti Legal	\$69,500.00	Contract for development and operation of NSW Greenhouse Gas Abatement Scheme Registry
Blake Dawson Waldron	\$42,321.74	General Advice to IPART 2002
Sub-total	\$111,821.74	
Total consultancies equal to or more than \$30,000	\$2,541,976.52	
Consultants less than \$30,000.00		
Engineering	\$70,566.04	
Finance and Accounting/tax	\$85,156.73	
Information technology	\$16,187.00	
Legal	\$90,441.60	
Management Services	\$72,362.13	
Total consultancies less than \$30,000	\$334,713.50	
Total consultancies	\$2,876,690.02	

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.

Seven contract positions, including two held by women, were filled at the end of the financial year.

APPENDIX 4

STAFFING AND CONSULTANTS

CONTINUED...

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, positions held, and total salary packages (including superannuation) must be disclosed if salary packages exceed the minimum level of SES Level 5 (\$182,000 at 30 June 2003). At IPART, this applies to:

Name	Position	Total Salary Package
Thomas G. Parry	Chairman	\$295,487
James Cox	Full-time member	\$211,900

Thomas G. Parry
Chairman

Appointed on 1 July 1992

The Premier has indicated that during 2002/03 Dr Parry met the performance criteria established for the position of Chairman. The key achievements for 2002/03 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.
- ▼ Reviewed IPART's strategic approach for implementing its responsibilities as Greenhouse Gas Abatement Scheme Administrator.

James Cox
Full-time member

Appointed on 17 August 1992

The Premier has expressed satisfaction with Mr Cox's performance throughout 2002/03. Mr Cox has successfully met the performance criteria contained in his performance agreement. The key achievements for 2002/03 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.
- ▼ Supervised the implementation of the Greenhouse Gas Abatement Scheme.

Senior Tribunal staff met with a number of international delegations to provide briefings on IPART's regulatory approach and share information. In 2002/03 staff met with delegations from South Africa, Korea, India, China and Tanzania.

Overseas visits				
Name	Destination	Dates	Reason for Travel	Total Cost
Ms Fiona Towers	London	17 October to 2 November 2002	Attend course at the London Business School	\$11,956
Mr Eric Groom	Paris	21 February to 1 March 2003	Present paper at Workshop on Enhancing Demand Response in Liberalised Electricity Markets. Visit the Wuppertal Institute in Dusseldorf.	\$9,977

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

Distributed Energy Solutions, Sustainable Energy Development Authority Launch, Parliament House, Sydney, 17 October 2003.

John V Ratcliffe Lecture, Westin Hotel, Sydney, 6 November 2002.

Jim Cox, Full-time member

Chair, Incentive Regulation at the Crossroads Conference, Westin Hotel, Sydney, 5 July 2002.

Eric Groom, Director

The case for Australia, Workshop on Enhancing Demand Response in Liberalised Electricity Markets, Paris, 22 February 2003.

Colin Reid, Director

Role of IPART, Address to Beecroft Rotary, Pennant Hills Golf Club, Sydney, 25 November 2002.

IPART's Approach to Water Pricing, Master Class in Water Utility Reform, Australian Water Association Conference, Sydney, 25 February 2003.

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.

APPENDIX 5

EXTERNAL LIAISON

CONTINUED...

Complaints about competitive neutrality

No complaints about competitive neutrality were referred to IPART during 2002/03.

Funds granted to non-government community organisations

No funds were granted to non-Government community organisations.

Privacy plan

There were no changes to IPART's privacy plan in 2002/03 but information about the plan and associated policies and procedures was included in the induction package for new staff.

There were no complaints or requests for internal reviews during 2002/03.

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 2002/03, it had five motor vehicle claims with a net incurred loss of \$11,593.

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.

The Business Continuity Plan developed in 2001/02 was subject to an annual review during the year. Any gaps in critical information were identified and actions undertaken to rectify these issues. 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

IPART reviewed two areas in 2002/03, as part of the internal audit review program. These were:

- ▼ **Financial Accounting/reporting processes.** The purpose of this review was to assess IPART's financial accounting and reporting processes for adequacy, relevance, accuracy and timeliness. The Internal Audit Bureau concluded that these objectives were achieved and the processes were operating successfully during the period reviewed. Minor improvements in the area of commitment reporting were identified and form a strategy in IPART's Procurement Plan 2003/04.
- ▼ **Compliance monitoring processes in Energy.** The purpose of this review was to examine IPART's compliance monitoring processes for oversight of licensed Distribution Network Service Providers and standard retailers of electricity to assess whether the processes are transparent, accountable and consistent. To this end the Internal Audit Bureau particularly reviewed distribution network pricing, retail pricing, metrology procedures and ring fencing guidelines. The Bureau concluded that processes are accountable, transparent and consistent, that the monitoring and reporting processes effectively support the Tribunal in fulfilling its regulatory function and that the quality assurance tools are good. The Bureau suggested some improvements in the area of project management tools and IPART will consider how to incorporate these suggestions in its internal procedures.

Report on account payment performance

Aged analysis at the end of each quarter

Quarter	Current (i.e. 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	10,588	0	0	0	0
December Quarter	11,415	0	0	0	0
March Quarter	–	0	0	0	0
June Quarter	252,914	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

Quarter	Total Accounts Paid on Time			Total Amount Paid (\$)
	Target	Actual	\$	
September Quarter	90%	92%	4,469,598	4,518,978
December Quarter	90%	94%	1,533,076	1,640,235
March Quarter	90%	95%	782,763	907,717
June Quarter	90%	93%	4,076,155	4,410,002

During 2002/03 there were no instances where penalty interest was paid in accordance with Section 18 of the *Public Finance and Audit Regulation 2000*. 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 Commerce. Other than a small number of accounts which needed to be queried, all accounts were sent for payment without delay.

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 continues to promote its website for access to the many reports published each year, and gives consideration to electronic release of reports wherever acceptable. Multi-function office machines which enable double-sided copying and printing are also provided and their use encouraged to reduce paper usage.

APPENDIX 5

EXTERNAL LIAISON

CONTINUED...

- ▼ **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 it uses, such as note books and pads, it buys recycled products wherever possible. Wherever possible, IPART re-used workstation and other building components in office modifications during the year.

Energy management

Following a review by EnergyAustralia of IPART's energy usage in 2001/02, a number of modifications were made during 2002/03 to improve energy efficiency. The EnergyAustralia review found that IPART had minimal opportunities to make energy savings, as the building in which its offices are located has already been upgraded to improve energy efficiency. Changes that were made included installing a timer on the office lights to ensure they were turned off after hours, split switching the lighting in meeting rooms and also trialling motion sensors in meeting rooms.

Details of Annual Report production

500 copies of this report have been printed at an average cost of \$28.07 (including GST) 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.

Statement of Affairs

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

Availability of information

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

FOI procedures

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

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

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

Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
SYDNEY NSW 1230

Arrangements to inspect or obtain copies of documents can be made by contacting the FOI Co-ordinator on (02) 9290 8400.

FOI requests in 2002/03

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

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IPART

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